



# **Transatlantic Relations 2009: *A Chance for a Fresh Start?***

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# Transatlantic Relations 2009: A Chance for a Fresh Start?

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**Petr Onufer and Věra Řiháčková (eds)**

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***EUROPEUM Institute for European Policy, 2009***



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*The initial versions of nearly all contributions to the first part of this publication saw the light of day during the international conference “**Transatlantic Relations 2009 – A Chance for a Fresh Start?**” held in Prague in May 2009. The conference was organised by the EUROPEUM Institute for European Policy within the framework of the Transatlantic Policy Forum project. The conference was organised in co-operation with Friedrich-Ebert-Stiftung, the Ministry of Foreign Affairs of the Czech Republic and the American Centre in Prague. The organisers would like to thank all institutions involved in organising the conference for their generous support and smooth co-operation. A special note of thanks goes to all conference speakers for their input and valuable time.*

*The second part of this publication consists of policy papers, developed by leading EU and US experts in the framework of the Transatlantic Policy Forum project, focusing on the following issues: Trade, Energy and Climate Change, Democracy Promotion and EU Neighbourhood.*

## Editorial Note

*The first part of this publication includes conference proceedings from the conference held in Prague in May 2009, including the speakers' contributions and selected parts of Q&A sessions. The structure of this part follows the conference programme. The conference panels' titles copy the four policy areas that the joint EU-US working groups were dealing with in the project framework. The second part consists of the four updated policy papers.*

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# Part I – Conference Proceedings

## Welcoming remarks

### ***Erfried Adam, Director, Friedrich-Ebert-Stiftung***

As we are approaching the end of the Czech EU presidency, transatlantic relations seem to be an especially appropriate and timely topic. Let me make a few general remarks on the German perspective in transatlantic relations. The conference title reads *“Transatlantic Relations 2009 – A Chance for a Fresh Start?”* In Germany this question would be answered with a clear “yes”. Probably even a “yes, we can!” But even without the so-called “Obama-factor”, there is a long and stable transatlantic relationship between Germany and the United States, bound by a robust friendship based on shared experience, values and interests. The Czech Republic is regarded as a country with strong transatlantic links and orientation. In this regard, I see some quite striking similarities to Germany, motivated by both historical and recent events and experience. Germany has strong affinities to the US. My generation sees the end of the Second World War on the 8<sup>th</sup> or 9<sup>th</sup> of May 1945 as a liberation. President Richard von Weizsäcker gave the right interpretation in the great speech on the 40<sup>th</sup> anniversary in 1985... “After more than twenty years, one can state with certainty that the basic note remains unchanged: the US are still viewed as the main liberator.” In the post-war period, the United States immediately provided political support and economic assistance to West Germany by means of the Marshall Plan. Without United States as guarantor of freedom in the decades of the Cold War, Germany would have not been able to regain its national unity as a free nation. And much like in the Czech Republic, American culture keeps on being attractive to Germans in many ways. This is a link that should not be underestimated.

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But neither should it be overlooked that such a firm and strong relationship also went through periods of disagreement and bitterness. Let me refer to my generation again: it had quite serious problems with the Vietnam War 40 years ago, as well as doubts concerning certain open or hidden US activities in various regions, such as Latin America or Southern Africa. The different lines of thinking also developed after the end of the Cold War, now 20 years ago. But it all changed after 9/11 – the 11th of September, 2001 was a milestone. Germans and the all Western world felt emotionally closer to the Americans than ever before. Chancellor Schroeder expressed unlimited solidarity to the US; however, soon he took a firm stand against the war in Iraq, accompanied by other European partners, mostly from Western Europe. The war caused a deep split between the “old” and the “new Europe” (as Donald Rumsfeld named the two parts at that time), as well as negative response from a great part of the European public. The support for the US in most countries was shrinking, as reflected by opinion polls. Instead of being regarded as a partner in problem solving, the US was seen as a risk by many Europeans. However, the European perception and attitude has changed since; we now have to concentrate on realistic ways of seeing the future of transatlantic relations.

It has been emphasized again and again that the US will remain Germany’s most important partner outside the European Union. Membership in the European Union is the unquestionable pillar of German politics; Germany’s position remains deeply integrated in the European Union policies. Only through the membership in the European Union has Germany been able to become a respected member of the International Community again, having developed into a country committed to democracy and human rights. However, the transatlantic relations are of essential importance for both Germany and the European Union. In his speech at Harvard University in April last year, German foreign minister Frank-Walter Steinmeier stated that no other relationships in the world rest on such a solid foundation. The US and the EU are crucial partners. For the past 60 years the transatlantic relationships have helped transforming the world. American relationships with Europe more than with any other part of the world enabled both partners to achieve goals that neither of them could have achieved on their own. When Europe and the US work unanimously, they form the core of any effective global coalition; when they disagree, no global coalition is likely to be effective. According to Mr. Steinmeier, it is vital that the EU start being more effective, for example through the Lisbon treaty, which could lead to more multilateral relations with the US. German foreign minister also wants to broaden the range of issues

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addressed by the transatlantic partnership: among other things, the agenda should include climate protection, energy and food security.

At an informal meeting last year, during the French EU presidency, the European Union foreign ministers discussed the future of the European-American relations; the French minister stated at the meeting that the transatlantic partnership is indispensable in addressing issues and tackling international crises facing the world. The transatlantic partnership must encompass new steps forward in numerous issues, including our relations to Russia. Joint action is also necessary in regard to the main foreign policy issues of the present day: Afghanistan, the situation in Pakistan, the Iran nuclear program and the Middle East conflict. The classical security methods should also take into account three major issues that will affect the future: climate protection and the energy security, disarmament and arms control and the creation of a global partnership of shared responsibility.

It seems that the mutual relationships have improved on both sides since the new US administration came into office earlier this year; however, there are still differences that should not be neglected and that need to be discussed. It seems especially appropriate to do so here, in the Czech Republic – let us remember the Prague speech of President Obama, proposing the world free of nuclear weapons as the ultimate goal; this is something that binds both sides together.

### ***David Král, Director, EUROPEUM Institute for European Policy***

It is no public secret to say that in Europe there were huge expectations attached to the upcoming change of the US administration in favour of the democratic candidate. We did not know who that candidate would be, but in any case we expected that there might be an interesting change in Euro-American relations after somewhat troubled period during the eight-year George W. Bush administration. We also expected the agenda might slightly change, as the previous period was marked by the emphasis on security, or even, securitization – let just think about 9/11 and, later on, about Iraq and Afghanistan. In retrospective, we can see that such a change really occurred, although it was partly caused by other reasons than the new US administration; who could expect back in 2007 that the major determinant of the transatlantic relations would be the economic crisis which really started as a financial crisis in the last year and turned into a full-fledged global economic crisis.

Nevertheless, we still think that it is important to focus not only on the economic crisis – that is, hopefully, a short-term phenomenon – but also on

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a number of other issues on the table. There is little doubt that energy and climate change have popped up as a top issue. The new US administration shows that the US is now taking the climate change more seriously; moreover, there is a big commitment on the horizon: the global climate summit in Copenhagen at the end of this year where the European Union is hoping to get the US as well as some other countries onboard. Another issue of utmost importance is trade, particularly in times of the economic crisis, marked with calls for protectionism both in the European Union and in the US. It is an important issue that we have to address, questioning the commitment of our transatlantic partner to the liberalization of the world trade. Democracy is perhaps an issue which was understood differently by the previous US administration and the EU when the worldwide spreading of democracy became one of the mottos of the previous US administration. Nevertheless, this issue is one of the areas where the EU and the US should work together more closely because the transatlantic area remains the area of shared values based on the values of democracy, human rights and respect for the rule of law.

And last but not least, the European neighbourhood. This is certainly an area of extremely strategic importance for both the EU and the US where we have seen also a very dramatic development over the last year, not least because of the declaration of independence of Kosovo, putting the Balkans and its the stability once again in the centre of the attention of both transatlantic partners, or the Georgian-Russian conflict in August 2008, and more recently, the gas dispute between Ukraine and Russia in January and February 2008. The four topics that we are dealing with today are somehow interconnected; for instance, one cannot discuss the European neighbourhood without discussing the energy issues and the issue of energy security because this is becoming such an important variable in European thinking about how to structure the relations with the neighbours. The same applies for democracy or trade.

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## Transatlantic trade: How to sustain the vibrant Transatlantic market at the times of economic crisis?

**Chair:** Lukáš Pachta, Research Fellow, EUROPEUM Institute for European Policy

**Rapporteur:** Jean-Philippe Gervais, Associate Professor,  
North Carolina State University

**Discussants:** Jens Van Scherpenberg, Non-resident Senior Fellow, German  
institute for international and security affairs (SWP)

Karim Lesina, Executive Director, EMEA Government Affairs AT&T, Chair of the  
digital economic committee of the American Chamber at the EU in Brussels

### Lukáš Pachta

It is a great pleasure to chair the first panel which deals with transatlantic trade and its changing nature and role. These issues are especially topical now, during the current economic crisis; trade is a very important factor of economic stimulation and it could function as effective glue of the transatlantic relations, although it certainly brings many disputes. There are high European expectations for the new administration in Washington in terms of foreign policies and security. But on the other hand, in trade area the disputes are likely to remain as they are now, being driven by more pragmatic reasons. When talking about transatlantic trade, we talk about hundreds of billions of Euros every year in exchange of goods and services – obviously, a very dynamic, vibrant area. There are also specific trade relations; trade is a very complex issue including agriculture, development, intellectual property rights and numerous other areas. The panel will attempt to tackle as many of those as possible.

### Jean-Philippe Gervais

I must acknowledge Professor Jean-Christophe Bureau's leadership in writing up the policy paper that you have in your possession. Let me do my best to summarize the work we have done. I am going to talk first about the points of convergence and divergence in the EU–US trade relationships, and conclude with some recommendations.

For starters, it is important to emphasize the openness – both the EU and the US share a strong commitment to the trade; both economies have huge

trade deficits. The EU is the second most important destination market for the US exports. The US is also the second most important supplier to the EU. Of course, it does not work the other way around because the US has special trade relationships with Canada and Mexico. But still, the bilateral relations are important, as both the EU and the US are very much open to trade.

There are certain blocks to trade – and agriculture, which is my field of expertise, is often considered as one of such blocks. The EU and the US have agreed upon the three pillars of agriculture: the market access, the export competition and the domestic support issues; they also agreed on more specific issues like tropical products and preferences. Agriculture is a highly sensitive issue and used to be a major block; a progress was made on that front which is good news.

Another point of convergence is the willingness to cooperate on security and safety, the transatlantic economic council being an illustrative example. I admit that it has minimal trade responsibilities on what we see as a block towards more integrated or better transatlantic trade relationships.

The EU and the US also share the enthusiasm towards bio-energy; since developing bio-energies has so many links to the energy market and traditional commodity market, especially agriculture, it's important to deal with these issues.

And the EU and the US have a fair amount of bilateral agreements with minimum limited importance; but some agreements still do not seem to work the way they should – for example, there is agreement on wine trade that the US has recognized but the EU is still not happy about it because some US firms do not respect certain obligations from the agreement. Or take the open sky agreement as another example: the EU feels there is a quite a degree of asymmetry in this agreement and so on. So, some bilateral agreements are of minor importance, such as the agreement on how to compute import duties on rice; however, they show that the EU and the US can get together and come up with agreements that will be respected.

On to the points of divergence – when you have a very strong trade partnership, it's normal to have trade disagreements. They are usually highly publicized because the lobbies are affected by such a trade disagreement and are very vocal, making their points known. But again, you have to put everything in two perspectives and two contexts.

When we first started writing the (policy) paper, we summarized the trade policies of the US, emphasizing multilateralism with the system of preferences as well as bilateral agreements with a system of preferences to developing economies. The EU is very much engaged in multilateralism while the US used to focus on bilateral relations; however, it has shifted somehow. The EU kicked

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off the free trade negotiations with Canada and already has an agreement with Mexico, negotiating a preferential trade agreement with Andean countries; so there's a clear shift although the EU is still officially engaged in multilateral trade relations. The visit of the US trade representative to Geneva a few weeks ago where he strongly emphasized that EU was committed to have an open door policies, is quite important for one reason: we still have a fuel crisis; the global economy downturn is slower than that of commodity prices. In any case, the US and the EU have some of the lowest trade barriers to trade in the world. We can compare some of the tariffs that are imposed on certain sectors. On that point US failed to match the degree of decoupling that the EU has implemented in recent years; and today the last US steps in this respect were quite disappointing both for the EU and from a worldwide perspective. A major point to solve is the fuel crises because it's still important for food importing countries in Africa.

Finally, on the points of divergence, there are specific issues that are all mentioned in the paper, such as intellectual properties, pharmaceuticals, government procurement, and custom administration and so on. There are many different standards and Non Tariff Barriers (NTBs) to trade. An interesting study was commissioned by the EU, and the preliminary results show that, focusing on food again, the tariffs for processed food on EU exports to the US are about 3%. If you look at the tariffs on US exports to the EU, they are about 16%. The study worked with firms from the EU and the US firms, asking them what's the tariff equivalent of the non tariff barriers standards they are facing when trading with the other economy; the result was that the average tariff equivalent of the non tariff barrier in the US was 76% and the average non tariff barrier in the EU market for US exports was 53%. Clearly, if the US and EU manage to deal with those problems, there is actually quite a bit of potential to increase trade between the two economies and raising economic growth.

On to the recommendations – our first recommendation was basically to re-engage in WTO negotiation. Perhaps is a bit early to tell but the US has done that to some extent; and the EU is not clear in this respect. I consider the Doha round as a last possibility to prevent protectionist measures; there is a room for countries to lower the trade barriers, tariffs etc. – some of the countries apply a tariff that is lower than what they have committed to in the WTO; if they want, they can actually raise the tariff. Actually, a WTO study confirmed that some countries have already started to do so. Historically, if you look at economic slowdowns and downturns, you always have countries that go back to protectionist roots.

The WTO negotiations are quite important, as well as reforming domestic agricultural subsidies so that the EU and the US financial perspective converge

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in 2012–2013. It has major implications in term of food crisis. There are many linkages between commodity market and energy market; therefore, it's important for the US and the EU to exercise leadership there.

The WTO agenda ended now, even if the EU say we are going to re-engage; we have to come up with new ways; and the US and some other countries, e.g. Canada, are actually proposing a new way forward. The director general of WTO has said we would need a dual approach: the US/Canada approach and the traditional approach to free trade. So we need to explore new ways to come up with a deal.

As to bilateral regulatory corporation: there is quite a bit to do there and if the US and the EU agree on something, they will probably say that at the worldwide level because there are so many standards and tariff barriers there. More neutral mutual recognition is perhaps the only practical solution.

Simply put, the US and EU trade relations are actually not bad. The US and the EU have enjoyed strong trade relationships; most of the work that remains to be done is at the regulatory level. All efforts should be concentrated in a multilateral trade environment. Both economies need to think what they want for the future. Do they want to address decisions as part of a rules-based multilateral system, or enjoy some degree of flexibility that requires corporation, which might mean the need for more institutions? There are several ideas in the (policy) paper that are explored from our perspective.

### ***Jens Scherpenberg***

The excellent policy paper that Jean-Philippe Gervais presented strikes rather ambivalent notes on transatlantic economic relations. Looking back at my own arguments on transatlantic relations in my writings through the last 20 years, I realize that I have shifted several times between a positive and a skeptical perspective and this inconsistency of judgment is not my own but it is really the subject fault. With EU and US economic relations it is perhaps much like with the EU itself; one feels rather depressed by how empty the glass still is. However, looking at the current state from a long term prospective will make one appreciate how much has been already achieved. With the very widely distributed publications on the primacy of the transatlantic economy, Daniel Hamilton and Joseph Quinlan have made a tremendous effort to show how full the glass of economic integration within the transatlantic market already is. They certainly contributed to bring up the case for furthering institution integration of the transatlantic market place, a political goal that has been around essentially as long as the cold war is

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over. Most of the institutions had almost fallen into oblivion during the first administration of George W. Bush which was not a most favourable one for transatlantic relations in general.

During Germany's EU presidency in the first half of 2007, Angela Merkel attempted to re-launch this integration process. At the US-EU summit meeting in April 2007 a new framework agreement for Transatlantic Economic Integration was signed which at the same time was supposed to lower the former rather ambitious integration goals and to raise the political profile of the integration process by creating a high-level Transatlantic Economic Council. But then came the election year in the US, overlapped by the dramatic worsening of the financial crisis and not much has happened.

Before commenting on the details of transatlantic economic relations and conflicts, I would like to briefly address some of the aspects of what I call the "continental drifting apart" scenario. I put forward three keywords: continental drift – economic nationalism – regulatory convergence that seem to describe the spectrum of problems and opportunities.

When Hamilton and Quinlan underscore the primacy of the transatlantic economy, they do so by picking the data that best suit their argument. This is a very legitimate trick for any economist indeed. I will do the same and pick another set of data that sheds a different light on transatlantic trade by asking whether it still matters compared to other trade relationships and where the dynamics is in US and EU foreign trade.

Let's first look at the US. The most dynamic trade relationship for the US is with China – no surprise, whereas trade with the EU has been stagnant at best, but slowly decreasing over the years. And even the share of trade with the NAFTA, with Canada and Mexico, has been receding recently.

For EU trade, we see that after a brief relapse towards the turn of the century, EU trade with the US has since steadily declined to values indeed not yet seen, whereas EU trade with China has almost reached the same level as trade with US. In 1990 the trade with China was 20 per cent of transatlantic trade for both sides, for the EU as well for the US. The relations had doubled for both to some 40 percent in 2000, and it has doubled again since then to reach slightly less than 80 per cent of transatlantic trade for both the US- and the EU-China trade in 2008.

These data might support the argument of a continental drift between the US and Europe, with Europe shifting the weight of its economic relations further East, and the US drifting further West, towards the other side of the Pacific. This continental drift scenario is supported to some extent by the different regional integration policies of both actors Jean-Phillipe Gervais referred to. It seems that each side is pursuing its own regional integration policies that are

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not integrated, which might pose a problem. But there is the other side of the coin, too – the shifting continental drifting. Obviously the lack of dynamics of economic integration among the Atlantic economies seems to be a major potential source for growth, and it is a major source of growth politicians have failed to tap. To put it more positively, regulatory convergence really offers a source of growth to be mobilized.

What are the reasons of this lack of political will that has characterized the whole transatlantic economic integration and liberalization dialogue since it started in the early 1990s? This brings me to my second keyword: economic nationalism, or protectionism. Obviously, US–EU relations in the field of trade policy, and more widely of policies governing bilateral economic relations, have been burdened for many years by an underlying sense of strategic rivalry and resentment. The US dislikes EU free-riding behaviour – profiting from American global security policy while doing business regardless of US security and commercial interests. The Europeans feel resentment about US preponderance and lack of coordination in foreign security, against which the balance of power in the economic relations seems to offer some leverage. This underlying strategic rivalry more or less strongly affects some of the trade and regulatory conflicts that currently burden the transatlantic economic relationship.

There are some major economic and trade conflicts that are costly and politically and strategically most sensitive ones and thus the most difficult to solve but there is a way out of the dispute. Taking the container security as an example; that was a huge and rather significant problem right until recently; there was security measure in the US saying that 100% screening of imported containers needs to be achieved, which was obviously a huge burden on trade with the US. Now it seems there has been some warning that this is a goal that is simply not possible to achieve so there is a relaxation on that goal, and we are out of that conflict immediately. That's a good sign. As for financial market regulation, the financial crisis has definitely helped in moving towards convergence, and we are moving away from the huge divergence that we had had before the financial market crisis has started; and we seem to be well on the way to solve that regulatory conflict too.

Also the competition policy used to be big problem. Right now, we are in the middle of solving the Intel conflict as the European Commission imposed the biggest penalty ever implemented on any company in competition. And what did the US? They said that the EU might be right and they should perhaps follow the suit. Remember the problems regarding Microsoft during the Bush administration; it was turning into a highly politicized conflict. But we have none of that right now, and, once again, that's a positive sign.

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Economic nationalism is a subject the financial crisis has brought up, giving rise to additional public resentments and protectionist pressures, such as the “Buy American” clauses in the recent US stimulus program. It is perhaps just the tip of the iceberg of a growing tendency on both sides of the Atlantic, as well as in other countries, of trying to make sure that from any publicly funded stimulus measures benefit only domestic firms and jobs. That is a real protectionist danger emerging from the financial crisis; but it is still a lurking danger, it has not fully emerged yet. On the other hand, the current financial and economic crisis has clearly discredited the strongly market-oriented, almost ideological economic policies of the Bush administration, whose last adherents seem to have barricaded in a certain strong place towering over this city. This change of policy paradigms has helped creating a sense of regulatory and economic policy convergence which may help in solving current conflicts and achieving a deeper integration of the Atlantic economic area.

Therefore, I conclude with a rather positive note. There is a certain momentum of convergence, an opportunity to overcome ideological divergence, under the new US administration and under the impact of the financial crisis. This momentum has to be grasped by policy makers. They should know that if they do not, the risk is still out there that the balance of US-EU economic and trade relations will tip again over further continental drift and economic nationalism, definitely to the detriment of both sides.

### **Karim Lesina**

I will focus a little more on the industry. As for US-EU relations in this field, it goes without saying that Europe is a great market and even if we see that China is getting more important, we also need to consider the size of the market and the quantity of population. In any case, US corporations in Europe represent approximately 4 million jobs. The Czech Republic is a great example of US corporations investing huge amounts of money. Europe is still the key market for most of the US industries, and people will continue to invest, obviously if the regulatory environment remains positive. I remember when we saw the priority of the Czech presidency – “Europe without borders”, we loved it; not because we do not want regulations but because focusing on better regulations and Europe without borders was a message for promoting pan-European investments.

I'd like to make one point at the defence of the former US administration. I work for a US company; even if we know that the visibility has not been so high at the European level, a great number of issues have been solved by

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the past administration, such as issues connected to OECD, ITU, WTO etc. One should not discredit all the work that was done by the Bush administration; even if politically there have been tensions between the two sides of the Atlantic.

I identified four priorities that we can discuss more; the main aim is to develop a true transatlantic market. We are coming from a market that is different from the market that has been highlighted. We are the digital economy market, and AT&T is a telecom provider, similar to Telefonica, T-mobile and other European companies. We work in a market that has no borders; networks have no borders, going around the world. It is an example of the market that needs to move forward with common regulatory approach, promoting investments, i.e., one that needs better regulations, industry-led standards etc. The ICT world is a good example of well-employed industry-led standards. Think only of your mobile phone. Wherever you go, you can call with the same mobile. Today, it is taken for granted, but it took almost twenty years of work to develop common standards; those markets cannot be regulated with national regulations. ICT sectors suffer from the crisis to a lesser degree than other fields, since they offer innovation; therefore, the common will for promoting industry standards is higher than elsewhere.

One of my main points is the need for developing a common regulatory framework between US and EU. Why is it needed? It is already difficult to have a common regulatory platform at the European level; the idea is to develop common regulatory approaches at the European level, harmonizing regulations between the EU and US, and start with our market, with the new market because it is much easier, since you don't have the problem of the physical restrictions that you will have in other markets.

Another point that is quite important is the openness to high-skilled immigration. We see it as a problem everywhere, not only here, but in the US too. Therefore, restrictions on immigration are becoming a huge problem for a lot of companies. First challenge: finding the right people.

Second challenge: fostering the digital economy. How many governments have all the data available online? How many governments use a non-paper policy? How many governments are really investing in new technologies to boost the economies? In the Obama plan, everybody focused on the 7 billion that have been given to cover broadband everywhere, but people don't look at the 60 billion that have been put to promote e-health, to promote e-transport, e-education. In the US everything is online. And it's a boost. I know it might seem as a petty thing but it is an example of how things might work efficiently.

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Third point: it is essential to support and get support from institutions that are critical to innovation, such as industries, universities, think-tanks. When I speak to politicians, they don't see so much the need of understanding of our industry because it is an industry that is doing quite well. There are some governments that are pushing for special tax on telecom and the internet precisely because it is a sector that is looking well. If we believe that this is the sector of the future, we should promote it, instead of taxing it; we should have an open approach to innovation and to promotion of investments.

My fourth point, and the most important one for us, is to ensure the regulation and other government policies: supporting innovation, not retarding it. The links are becoming more and more important worldwide; EU and US should look more at themselves to solve the problems instead of looking more at the specific small issues. They should look at the bigger framework and to identify common policies that they want to promote in the rest of the world. Because that would be the biggest challenge to solve things at the WTO level. We were very happy with the negotiation and services of the WTO and we were trying to promote it, but everything has been blocked again, which is always very disappointing.

Lastly, the new political scene presents a big challenge. We are still waiting for the results of the new US administration, but it is already clear the impetus they are giving is very positive. At the same time, we will have a new European Commission in six month time, we will have a new European Parliament, and hopefully, the Lisbon Treaty ratified.

The industries and governments need to understand each other. When we look at the Czech government, they totally understand our challenges and they are very helpful; the same goes for the Commission. One of the problems is when you go to the political level and the local politicians don't care so much; and it is the same in the US where people often concentrate on the national market, even in the US congress. The debate like this should happen more often between the US congressmen, US senators and the EU politicians, as well as politicians of single member states. After all, they are the ones who take the final decision. The political impetus should be given more on the promotion of a common regulatory approach to promote innovation, to promote investments, because in the end, this is what will bring wealth. Openness increases wealth, and now it's really the moment to achieve that.

The way forward is to have pro-investment regulations, which doesn't mean any regulation. The regulation is important, but it needs to be a good regulation, it needs to be a regulation discussed and decided with industries to protect consumers, while promoting investments.

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## Q&A

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*From the business perspective, there is only one key thing between the EU and the US: standards. If the EU and the US do not set the standards, the Chinese will, or the Indians or the Brazilians... and then it is going to be very difficult to sell our products worldwide. There is only one way – we have to create the standards together, otherwise somebody else will, and then we will lose access to the world markets, access to energy and access to innovation. It's a call to think-tanks and to policy makers creating the standards for today and most importantly, tomorrow.*

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### **Jean-Philippe Gervais**

I strongly believe that if the US and the EU put themselves to it, they can set standards for everyone else. But how do you achieve that? The US is perhaps not very receptive to more institutions. The role of the EU is indispensable in this respect. Another way is to go through the rule-based system which the US has problems with, because they fear credibility issues, infringement on sovereignty in terms of regulations, etc. I think it's through corporations and flexibility the desired state of things can be achieved; there might be space perhaps for another institution or the transatlantic economic council.

### **Jens Scherpenberg**

The standard-setting is a major issue. It has two dimensions: first, the untapped sources of growth; here lies the potential for an enormous strengthening of the economies on both sides of the Atlantic. Can it be done? The single market experience in Europe is really important in these regards because the US regulatory tradition is very different...but well, there was a regulatory divergence and different traditions in the UK on the one side and France on the other side, Italy on the third side, Germany on the fourth side. There was no way of thinking that German regulatory institutions would give away their regulatory competence to some European institutions or let the French participate in something; but then political momentum came that overcame those jealousies and that's the only way to move forward in the transatlantic area too. Perhaps the economic crisis will play its part in moving forward.

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*There is no doubt that globalization brings growth, maybe with the exception of agriculture trade which we have seen with the food crisis: it has shown that agriculture markets are very unstable and volatile after three decades of low prices. It has also shown that developing countries depend on the world market for stable food which is very dangerous in case of panic protectionism when people try to keep food in their own countries to meet the demand of local population. Since 1994 when the agreement on agriculture has been signed, there has been basically no real positive trickle-down effect to population. I am not speaking about growth, but about alleviation, and there are many nations that still do not benefit from trade; in 1994, we had 800 million hungry people. Today we have about 1 billion hungry people. Don't we need a shift to ensure food security worldwide?*

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### **Jean-Philippe Gervais**

This question needs a lot of attention. My opinion is that some countries are experiencing really negative effects of food crisis due to the fact that they have high, really high food trade barriers. One easy prescription would be to actually lower their trade barriers, instead of raising them.

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## Energy and climate change: convergence towards Copenhagen?

**Chair:** James Hunt, Special Envoy for Climate Change, Ministry of Environment of the Czech Republic

**Rapporteur:** William Siefken, Senior Associate, Center for Strategic and International Studies

**Discussants:** Jiří Schneider, Research Director, Prague Security Studies Institute  
Josef Braml, Resident Fellow, The German Council on Foreign Relations (DGAP)  
Susanne Dröge, Researcher, German institute for international and security affairs (SWP)

### James Hunt

A very brief word about the subject – I recognize that there has been a sea change, if you like, in the United States administration's views on climate change but the question that struck me was the extent to which that can really signal a truly fresh start. Given that, the constraints upon the American administration, both legal and political have not entirely disappeared. And my question is to what extent that limits our transatlantic and global capacity for convergence in Copenhagen and what that might mean in terms of the EU and its goal of pursuing a global comprehensive and indeed ambitious agreements in Copenhagen, that can – as history would say – not repeat Kyoto and be ratified afterwards.

### William Siefken

I was part of the group that worked on the (policy) paper concerning energy security and climate change last year. The focus of our group was on the issue of security; it was not a technical paper on the various issues of energy security as we are not experts on climate change. We were looking at these topics as issues affecting the security of the United States and of Europe; security in a large sense, security of our societies.

The paper was written last year, during the Bush administration. So even though at the end of working on it, we knew that we would have the new president, Barack Obama, the fact was that the paper reflected a great deal of

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the reality at that time. And if you like, it was so much critical (to put it mildly) of the failure on the part of the American government to move forward in a range of issues, while quite frankly addressing some issues that we saw as the weaknesses on the European Union side. There has been very little change; the recommendations are still valid, the descriptions are still accurate.

There is still no US national policy or consensus as to which national energy resources should be exploited. There is no US national energy policy addressing any of these issues at this time: nuclear energy, investments in the energy sector, what resources should be exploited, there is no carbon pricing mechanism, there is no carbon tax. None of these things exist yet in the United States. The new administration has brought a great deal of national focus to these issues, but the new administration has only been in office for about 4 months and they have had other issues to worry about, like financial crisis, economic crisis, etc. So there really hasn't been any significant progress up until now in addressing any of these issues.

The European Union still needs a strategy to deal with its dependence on Russian energy supplies. It is simply a fact that the EU as a regional entity is still largely dependent on Russia and the states of the EU that were formerly part of the Soviet Union or under Soviet domination are still extremely dependent on Russian gas. We've talked a lot about Nabucco, we've talked a lot about other things, but quite frankly not much has changed. There is still no coherent plan from the EU's part for modernizing the power grid in Europe. One thing that could help here is smart grid technology, which is necessary for the really effective exploitation of renewable energy resources. Little progress has been made on the issue of unbundling national energy corpus structures or reduction of national subsidies. In other words, there is a wealth of opportunities for progress in the future cooperation and developing new policies, new programs with the United States and the EU.

However, there have been three very significant developments that have taken place this year, which over the long term will bring a major change. Obviously, the most obvious one is the election of Barack Obama as president of the United States. The second was the Russian decision to cut off gas in the winter time last winter. And the third, obvious one is the global economic crisis.

President Obama has definitely made the energy security and reduction of green house gas emissions a priority of his administration. And while his rhetoric, his speeches, his attitude, his programs reflect a very significant change in US policy, the fact is that bringing those objectives into legislation has only just begun. For example the new American Clean Energy and Security Act of 2009, which represents the new administration's approach to energy

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security and climate change, was just brought out of the committee I last week; and is already under a very intense criticism in the United States. It sets targets for reducing pollution that are far weaker than scientists say is necessary to avoid catastrophic climate change, targets that are further undermined by massive loopholes that would allow the most polluting industries to avoid any real emission reductions until 2027. The bill provides polluting industries with hundreds of millions of dollars and free allowances and direct subsidies that may slow energy development. The bill establishes a cap and trade system, but it provides giving away any 5 percent of the carbon permits up until 2026. While all of these are legitimate criticisms of this pending legislation, politics remains the art of the possible. And this is probably the key point that I would like to make in addressing this issue.

There is a great deal of enthusiasm and support for president Obama in the United States as well as in Europe. But the United States Senate must approve treaties. President Clinton signed the Kyoto accord, but the Senate never approved it. We don't want another Kyoto, so the biggest challenge facing this administration is to try and find a way that it can negotiate a new treaty in Copenhagen that moves forward in addressing these issues of energy security and climate change but still has some reasonable explication of getting through the United States Senate. The US political system is different. You have party discipline in Europe; we do not have party discipline in the United States. Every state in the US has got two senators. And if you look at the vast American heartland between the Rocky Mountains on one side and the Alleghany Mountains on the other, those people use coal, and they are going to protect their ability to use coal to generate power. And unfortunately, we don't have any effective clean coal technology. So, there is the representation of the individual economies, resources, businesses, political and economic interests of all of those states represented in the Senate. Now all they may love president Obama, the fact is there is election next year in the United States, and every member of the House of Representatives and one third of the United States Senate will be up for election. They will be defending next year how they vote this year. This is a very real constraint. One of the major concerns we have in the US now is that our European friends are going to be a little disappointed by the ability of the Obama administration to actually move forward on meeting the president's stated goals, but dealing with the political realities of the United States.

The second topic to deal with was the Russian decision to cut off gas earlier this year. Here in the Czech Republic you have other experiences also where there was this technical problem on the pipelines the day after you signed the agreement with the United States about the radars. It's a remarkable

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coincidence. But the important thing is that the Russians have made quite clear at the recent Russia–EU energy summit that they would never sign the energy treaty and they refused to give the EU assurances that there will be no further cut-offs of gas. The Russians have said quite bluntly they will defend their economic interest and do whatever they can to maximize the leverage that they obtain from Europe's dependency on their oil and gas supplies. They defend their economic interests, which is perfectly understandable. And it has perhaps driven home to the EU the necessity to begin seriously developing alternative resources or alternative energy sources, not to replace Russia as a primary energy supplier because they will remain a primary energy supplier, but to find alternatives so that the ability of the Russians to exert political and economic pressure will be weakened.

The third point is the global economic crisis. As the Chinese say, crisis is a terrible thing to waste. It does provide an opportunity for governments and for the EU and the Americans, to take a good look at to where and how they are going to use the stimulus funding, to change their economics, to reduce their dependencies, to diversify, to develop new technologies, to build a new low carbon economy.

There is a heated debate about the contribution of human economic activity to global warming; some people believe it, some people don't. But climate change is a reality, climate change is happening. We are no longer under several thousand feet of ice sitting here in the Czech Republic. The fact is that the rate of change is significantly increasing and that increase coincides with the development of our carbon based economy. If we mess up the climate, we're in deep trouble. So it is in everybody's interest to deal with it. And it does not matter whether you are in Europe or in Asia or in Africa or in the United States; globalization has tied us all together. We share a common planet, we don't have any alternatives and if there is a massive change in economic activity or in global warming in some other part of the world, it will be felt here.

The ability to deal with climate change is a security issue for Europe, for the US and for our society as a whole. Our current economic crisis does give the Obama administration in the United States an opportunity to get billions and billions of dollars for stimulus package which can be directed towards energy diversification. Here in Europe there is also a move towards diversification in the use of stimulus. So the world is changing; there is a tremendous opportunity for convergence between the US and the EU as we move towards the Copenhagen summit. Both of us have our problems, both of us have political constraints, but there is an increasing realization that we share a common need to deal with these issues.

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**Jiří Schneider**

In order to succeed in challenges we face in the area of energy and climate change, we need to increase our leverage in fighting the climate change, and that requires a common approach of both the United States and the EU.

Besides that, we need to decrease or to address our vulnerabilities. They do not only comprise supply, but also distribution, grids and other things. If we do not do so, we will be losing in both energy security and climate change. There are two areas in which we can do something, separately and together. One has to do with policy, the other with technology. In both areas we have strengths and weaknesses; we have leverages and vulnerabilities.

I'm not a climate change denier, I am not an opponent of the Lisbon treaty either, but I do not expect that after the ratification of Lisbon treaty we will be much better off when it comes to energy decision-making in the European Union because it will remain complex. The external part of energy security will remain intergovernmental. We will still be dealing with the same issues as today: bilateral deals and lack of coherence of individual foreign policies, as well as certain activities of private players that have foreign policy implications.

In the EU internal area, there are also challenges; it is basically about regulation and competition rules; once again, we have to try to increase our leverage in this field. We are by far the biggest market in the world and we should aspire to be the biggest and strongest market for energy; as such, we have to increase our leverage in dealing with our supplier wherever they are. I am not speaking only about Russia. It will be futile to think that by opening to competition while being in environment of monopolistic suppliers, which is the case, we will increase our leverage and decrease our vulnerabilities. On the contrary, we would rather expose ourselves to our vulnerabilities. We should simply be able to treat Gazprom or anyone else the same way we treat Intel or Microsoft; only that might help.

There is homework in EU decision-making process to be done; not everything will be solved by the Lisbon Treaty. We should add some informal mechanisms bridging the intergovernmental and communitarian decision-making in the area of energy security, because there are obvious overlaps with other policy areas and we should aim at coherent policies. To give you an example: agriculture subsidies should not be contradictory to energy security and climate change requirements, as they are in subsidizing certain types of fuels. There are many areas where we need a coherent decision-making. And there are already ideas on how to solve those clashes, ideas that we hinted to

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in our recommendations, ideas floating in the air; those ideas should get on the agenda between the United States and European Union.

One of them is to make a similar body like Transatlantic Economic Council for energy issues and to address issues together. We have to do our homework in the European Union before going into the transatlantic cooperation and there should be some elements of improved decision-making. I should give a credit to the Czech presidency (I mean the first one, not the lame duck one) for the conclusions of the March summit because they include some real good points in the area of energy security. For example, there is a clear recommendation “to decrease the threshold for deciding actions on a common level”, European level, which is an important element of recognizing that there are some things which we have to address together.

There is another idea which is somewhat in the air: a code of conduct, prior notification of individual member states and private companies or state owned companies before they close a deal with an external supplier. However, the prior notification is a minimum requirement. I would take a further step: to create a body that would be similar to EIA, Environmental Impact Assessment. This new body could be called ESIA – Energy Security Impact Assessment. We should undergo this process, applying it to all new deals done by big companies. Besides the only environmental impact, it is also necessary to consider energy security impact of such deals. I am sure there would be a big problem for the North Stream to undergo this.

We talked about decision-making, external and internal policy areas and coherence with other policies. As an example, I mentioned agriculture. But there are other important issues, such as climate or technology. In this respect, it seems vital to deepen cooperation across the Atlantic, both in private and public sectors, in developing new technologies, especially on the distribution and demand sides, not only on the supply side. It would increase efficiency and decrease our demand. In other words, there are many challenges ahead of us.

### **Josef Braml**

I will focus more on the energy side; I agree that states especially in Western Europe are all concerned about climate etc. Whereas in the US, the debate is completely different; it is energy in terms of security, in terms of trade, in terms of economics, with less attention to the environment. Therefore, if we want to do transatlantic business, we have to come together on a few of those terms. I am very skeptical about Copenhagen. As the Economist put it, we are all waiting for a Messiah, waiting for Obama to walk over waters. One

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thing we don't know is whether he will take a transatlantic route or whether he is taking the Pacific. That is not done yet; he hasn't really tested the waters.

And there are institutional gravities. There is the US Senate, with its checks and balances. The debate had already been difficult in the House of Representatives and one can expect much more to happen in the Senate. It is quite likely that the US won't play the leadership role in climate change. The EU has to get its own act together. In this respect, I'd like to focus on energy, external relations and the unified energy foreign policy.

A third important point is we do not really know how to cope with states that pursue regional power through energy policies: Iran, North Korea, but also OPEC countries when you look at it from the long-term perspective. In our case, the efforts should not come from a single individual state, but from the European Union as a whole; we need a multilateral aspect, a broader agenda.

To the first point – transatlantic relations; not only has Obama's election caused excitement but also new leadership. That is necessary, because George W. Bush didn't show leadership. He was redoing many important aspects. But that alone does not bring hope. It is the real ligament of established interest groups. I predicted in my earlier paper the next US president, whoever that would be, would lead America to a change in energy foreign policy. Not because he or she – we didn't know who the person would be at that time – would walk over water but because of those real ligaments of institutional structure. I'm skeptical about the environmental cap and trade program at this point on the short term; I'm more optimistic on the medium term. And we are already in the midst of real ligament of energy policies. When you look in the American Recovery and Investment Act, there are already 70 billion USD that are invested in creating jobs, with the long term goal of making America more independent from import. And that's important to know: in America, it's all about transportation sector because that's where the US vulnerability lies. There are alternative fuels and similar issues on the agenda; that's where we can work together. To do that, we need some regulations, some structures.

The second point is cooperation with Russia. I'm less skeptical here; one has to view the whole issue through Russia's eyes, too. The whole Energy Charter is a relict of the 1990s when Russia felt weak. Russians do not want to be reminded of that period. Therefore we should forget about that, concentrating on new deals, on partnerships, trying to take different directions. There's "divide and conquer" not only with European states but also with individual companies and pipeline plans that are of strategic interest. But here lies the momentum of the crisis. Russia is vulnerable again; if all prices stay at low level, Russia will be in dire straits. When one talks to people close to Russian

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president Medvedev, they are already worried about regime stability. All Russian economic reforms aren't paid for by tax incomes but by external dollars. If those don't flow, the regime might not be as stable as it is at the moment. The Russians are very aware of the vulnerabilities so they welcome investments. Here we could find common ground.

We also need Russia to adapt nuclear non-proliferation regime to the new situation. If nuclear energy has a part to play, we should also think of the external effects – in those, we need cooperation with Russia. North Korea is a point, but also Iran. In this respect, we have to think differently as I understand the Obama administration is already doing. And there's one thing, if Americans and Russians talk, maybe that we are not always in the loop.

There are more important issues right now – Afghanistan and others; in any case, it is necessary to get Russia involved in dealing with Iran. Iran is a problem, for a number of reasons. We really have to look at this issue strategically, from a long term perspective. 70 percent of all known oil reserves are in OPEC's hands. We simply have to figure out how to cope with that. And here I would suggest some sort of mechanism to control prices. Let us not call it "a tax" as that term is not very popular in certain parts of the world, but let us make sure we have stable signals, making it impossible for oil prices to drop as they did now, during the economic crisis. There is a simple reason for that: alternative investors need stable signals. The mechanism needs to work, but it does not, since the fuel market is not a regular market. A multilateral effort is essential in this sense, because it is impossible to do that on one's own. Not only do we have to bring in the major producers and consumers, but also the transit countries, especially China and India. Not only because of climate change but also because both China and India, actually all of Asia, are pursuing new mercantilist or nationalistic approaches in securing energy. And that's not good. We have to figure a way out, especially when you see now what's going on now in China and Brazil.

As for trade policy, we need to figure out new rules, harmonizing interests of oil and gas exporters and those of producers of renewable energies. There have to be new rules because the current WTO competences do not really cover new bio fuels and others. There are interesting debates of future, going on right now: of standards, and norms; obviously, there is a huge market potential. But for this, we need to homogenize not only our national policies; we need structures. We need Mr. Energy so that we are still capable to talk to America.

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**Susanne Dröge**

We've heard a lot about politics and demands and what they should look like. I will highlight some economic issues – energy policy won't work without private companies engaging in production and technology, and bringing technology and energy to consumers and changing the structures to low-carbon economy.

The international playing field will change whether we like it or not, because even without climate policy constraint, we will see a shift in global energy demand and supply. We can't help it, we have to adjust and deal with it, because we are talking about the EU and the US as major importers and consumers.

Starting with the EU – dealing with external relations and external energy supply relations, the private companies face a number of challenges, and it's not just Russia. The engagement of companies that are state owned is increasing and we cannot do much about it. For instance, helping companies to engage in exploitation of resources is a very important political task. But how do you do it? You cannot do it at the EU level because there are no European companies yet and we have different resources. We are talking about oil, gas, and coal. And they are completely different, so if you want to lift energy policy to the European level, you would first need a common interest in oil, in gas, and in coal. And we do not have that. For instance, in Poland 90 percent of primary energy comes from coal. In France, 80 percent of electricity comes from nuclear power. And Germany has a high share of gas, mostly coming from Russia. So how do you merge all these interests?

In the US, you have at least one big country that has by definition an interest in sorting out external energy relations because of a common energy mix. Europe could achieve this common energy mix by integrating the energy market. But that's an internal challenge; we have not integrated our energy markets yet. And we can't do it by using energy policy. We need to use competition policy and probably climate policy and climate policy in Europe really sets the targets for energy policy – it set a target of 20 percent of renewable resources in the energy mix EU-wide. We want to increase our efficiency of energy use by 20 percent. That's setting a target for energy policy. It's coming through the back door when we can't integrate through the front door.

What is Copenhagen going to deliver? As I'm actually working a lot on climate change issues, I see two common interests here. The first interest is putting a price on carbon. The EU did that already and although I see the trouble the US has in getting the 60 votes in the Senate, there is a big chance that this will happen. As soon as you have a cap, it delivers emission reductions,

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even though it is not enough and the allowances are handed out for free. The American public will wake up, because every consumer has a right on emissions. And if these rights, these assets are given for free to companies, this is a shift of assets in the economy that will not be tolerated forever. The first big step for the international scene, climate change and for private investors is putting a price on carbon. And if the US succeeds, this will have a major international impact.

The second interest is decarbonisation; decarbonisation means going down from emissions based on hydrocarbons, coal, oil, and gas. There are mainly two technological challenges here: producing coal without emitting CO<sub>2</sub> – you can't do that, so you have to handle the emissions directly which means you have to separate the emissions when they come up; that is carbon capture and sequestration. The US has already some research in place; and China is heavily interested because they see a chance to make their coal cleaner because of other problems relating to coal – mainly environmental ones. The second challenge is renewable energy and the grid upgrading. In Europe, a new energy grid, a restoration is needed; the US system is even worse. We need to bring in offshore wind parks, or solar energy from Africa into our grid; on top of that, we need an intelligent grid that handles demand at the same time. Europe shares that interest with the US.

A remark on the US – I'm not too pessimistic when it comes to what the US could deliver, because from the legal point of view, the rulings and the decisions made by the Environmental Protection Agency will play out in the future. If the national system cannot deliver the precise reductions that are needed, the EPA could step in by national law, because now the US too has recognized the damages to the health of American people.

## Q&A

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*I am afraid you are neglecting an essential problem in relationships with Russia. It is dangerous to provoke the bear, don't you think?*

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## Jiří Schneider

My point of departure is: Russia is trying to increase its leverage as a producer of energy. We have to increase our leverage as a consumer of energy. This is clear. We need some rules; and if Energy Charter will not provide us

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with such rules, we need something else. But we should stick to a rule that we should aim at buying energy at our borders. And that would help enormously. I know that we have to create an energy market and there is enormous pressure against that. But there is no other way; if we do not create an energy market, then we're going to lose. And then, economic crisis; I am not sure about the impact of economic crisis on energy consumption and production. I'm really not sure what would happen. We've witnessed enormous decrease of prices after a peak, so what will happen? Let's take it as an opportunity to change our behaviour. And even politicians should acknowledge that there is a chance for that. So I have a slogan for America politicians: "no representation without hydrocarbon taxation."

### **William Siefken**

We talk about Europe's dependency on Russia for oil and gas. Actually, due to economic slowdown, that dependency is decreasing. The Russians have had some very serious issues because of that. Gazprom for the first time is actually losing money this year. The big safety belt that the Russian government had built up based on past profits is very quickly disappearing as they are trying to deal with their own economic effects. I don't have the financial understanding to get into some lengthy discussion of the impact of the financial crisis here but I can say with certainty that it is changing the situation. This presents an opportunity for us to develop a low carbon economy. Now I would also think it would have some impact on Russia.

### **Susanne Dröge**

In crisis the prices go down, of course; we all know that this is happening and it has revenues side that has been mentioned and that's deep trouble for the suppliers. Not so much for us as consumers. And this is especially a problem for those countries that hand out cash or cheap subsidies in order to keep social unrest at bay. Let's say some Arabian countries that need the revenues because they don't have redistribution in their system; so the participation of the average, of the population is not there. If the prices of oil fall, they will be in deep trouble in a very short time, which is a political risk. But in the end, it also has an economic risk, because low oil prices mean less investment in new exploration. We already have a big investment gap at the global level, not only in Russia but also in Saudi Arabia and other countries that have oil. And the price hike was an incentive for investment in alternative oil; oil sands, oil

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tars; however, this is not very efficient. Nevertheless, the investment goes into secure regions. So what we will see is another economic upturn and a short supply, meaning rising prices. We have to keep up the signal from a political point of view, telling consumers to listen, explaining them that this is a short term. If prices fall, we will have high prices soon. And if you manage to keep up this price pressure, you will also find that there is adjustment. If you tell everybody, well, now relax, prices go up and down, this will not happen.

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*Mr. Braml mentioned the Energy Charter, saying it was over and we should just give it up; do you expect a new document to be signed? What do you expect to be the content of the EU–Russia negotiations?*

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### **Josef Braml**

I don't believe in the documents that aren't worth the paper they were written on, like the Energy Charter. The market will take care of such things. Once you play "divide and conquer", you have a problem. You look for alternatives. One is alternative energy if we get our grid together in Europe. That's more of a domestic issue of energy companies. There would be alternatives available, in each of our countries. You could do the trick with alternative energy, with solar, with wind. And if the pressure from outside is there and the problems become higher, you will push more on those alternatives. Due to their own major domestic problems, Russia will be heavily interested in efficiency measures. Technology could be the key in Russia, once again, because Russia needs to export. It's not as asymmetric as it sometimes seems. It's a symmetric relationship; I don't buy that option of Asian alternatives. I mean Russia also needs consumers. And they may have their own interests, both having stable, reliable relationships. Those are individual contracts, as well as ways and means to reduce the own domestic need for energy.

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*Ms. Dröge mentioned CCS technologies. Do you see that as a long-term solution or only as a bridging technology? And if you see it as a long-term solution, how do you deal with the risk that the carbon might not stay there but might go to the atmosphere at once?*

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**Susanne Dröge**

Well, the point is, of course, I do not believe that it's a good solution in the end. But every year, the 75% of our increase in carbon emission comes from China and Chinese coal, so if you want to target the issue, you better target coal combustion; the real challenge is to find out how to make storage secure. This is not settled yet. Because I think CO<sub>2</sub> needs about 100 years to chemically react with its environment in order to be stored safely. But exactly to find out about how to do this in a good way, in a secure way, is the challenge from research and development point of view. And we know that Norway and also Arab states pump back CO<sub>2</sub> to the ground to stabilize the ground. So it's already happening and we need to rely on what we know. But I'm not favouring to do it tomorrow because I think there are too many risks associated with it. It's an inter-temporary solution and we can't rely on this forever because it's a lot of CO<sub>2</sub> that needs to be stored.

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## Towards building a transatlantic consensus on democracy

**Chair:** *Vladimír Bartovic, Research Fellow, EUROPEUM Institute for European policy*

**Rapporteur:** *Anna Michalski, Senior Researcher, Swedish Institute for European Policy Studies (SIEPS)*

**Discussants:** *John Glenn, Director of Foreign Policy, German Marshall Fund of the United States*

*Igor Blažević, Head of Human Rights and Democracy Department, People in Need*

*Ernst Kerbusch (ret.), Director, Department of International Cooperation and Development, Friedrich Ebert Stiftung*

### **Vladimír Bartovic**

This panel will address the question whether or not it is possible to reach consensus on democracy between the EU and the United States, although we still don't have consensus inside the EU. EU is not a coherent political actor; there are different stakes and interests. There is a cleavage in democracy support between the new and old EU member states. The majority of the old EU members put emphasis on good governance, rule of law, transparency and so on. On the other hand, the new EU member states perceive democracy promotion differently, especially due to their historical experience; they rather focus on pluralism, freedom of speech, human rights and democracy itself.

### **Anna Michalski**

An important basic starting point to make is that after two decades of progress in democracy promotion worldwide, democracy now seems to be backsliding. It's been called a backlash; this backlash has an impact on a number of democracy promoters' activities.

The economic and social successes in autocratic countries, China in particular, seem to have broken the link, which has been made in the past between socioeconomic advancement and democracy. Moreover, the war on terror of the previous US administration unfortunately seemed to link democratization

and democracy promotion to a policy of regime change; something that has been deplored by many who are active in this field. However, we feel that we might be approaching a turning point; and the new US administration might play an important role in this respect. Furthermore, two important European institutions are about to change their leadership – the European Parliament and the European Commission; the incoming leaderships of these institutions can be also of crucial importance.

Finally, there is the Lisbon treaty; if ratified, the High Representative for CFSP will be strengthened, which could help the EU to reach better coordination of currently incoherent policies, such as policies on international trade, foreign policy, development policy and humanitarian aid.

Our paper also analyzes the role of the US as a policy promoter. Democracy is a fundamental principle of the US state construction, a principle to follow. There are several examples of very successful US democracy promotion, for instance in Germany and in Japan after the World War II. Unfortunately, there are also more recent examples that haven't been so appreciated.

It is necessary to point out that the US – through its society and its economic model – has a great appeal to people all over the world, thus gaining leverage on the international scene. The strong belief in democracy as a fundamental value in the American society gives it a strength; but such a deep-seated tenet does not absolve it from promoting causes that are seen as legitimate and in accordance with its stated values.

The experience of the Bush administration in Iraq convinced many that the forced regime change cannot go hand in hand with democracy promotion. This gives rise to an idea of dichotomy between the realist and the normative foreign policies; lately there has been consensus that this is actually a forced dichotomy. Foreign policy interests are there to be pursued – and they are pursued by the US and the EU as actors and by other countries as well. The challenge of today for the EU and the US is to change perceived associations between American military interventions and regime change and democracy promotion practices and policies.

The US is the world's most resourceful foreign policy actor, both in terms of financing an economic cloud and at the same terms a political cloud and therefore it's very important that the American administration continue to devote political and financial resources to democracy promotion.

The EU, on the other hand, is often called an atypical foreign policy actor; that notion is obviously linked to the fact that it decides on foreign policy in a consensual style among 27 member states. With enlargement in 2004 and 2007, the EU has become increasingly less shy to state that it has a foreign policy

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and foreign policy interests on the global scene. And it has tried to beef up its capabilities. We see that very clearly in the Lisbon treaty, which will strengthen the office of the high representative, and, perhaps even more importantly, it would create an EU External Action Service. The EU has been referring to itself as a normative actor, because of the values and principles that are written in its primary law and that would be somewhat strengthened by the Lisbon treaty but not in a significant way. In spite of these values and principles, the EU member states have often not been able to agree among themselves. Instead of following or pursuing specific interests, the EU has been announcing lofty goals and then has been quite unable to realize them in practice. The challenge for the EU, on the one hand, is to build relations with third countries that are true to these values and norms, because they are very important; but on the other hand, the EU has to concentrate on foreign policy, resting on consensus among the member states and the member state's interests.

EU has been quite successful in promoting democracy in the enlargement context but it has been much less successful in promoting it in other contexts. It has included democracy clause in all international agreements with the third countries since the 1990s. But this has not been particularly successful and it has also precluded agreement with profoundly democratic countries like New Zealand that will not sign a treaty with the EU with such a clause included.

The challenge for the EU is to functionalize the democracy conditionality that has been made to work in the enlargement context in other contexts as well. One of the test cases for this will be the Eastern Partnership that the EU has launched with six countries now to the east of the current border of the EU. And finally, the EU obviously needs to improve its internal cohesiveness and coherence as an actor. Together with the member states, it is the world's largest donor but its policies are not always effective and sometimes there are discrepancies between the EU's and the member states' policies on the ground.

There was a talk about the democracy consensus; there is an urge to create democracy consensus among the EU member states in the way that there is development consensus – a fundamental agreement about how democracy promotion is to be carried out. But that has not yet come into being and the hopes are quite high that maybe Swedish EU presidency could reach an agreement; however, that is yet to be seen.

The recommendations the group addressed both to the EU and the US are as follows. Both actors could gain from cooperation from this area. And the way for them to find cooperation would be to pursue debates about a common narrative concerning democracy promotion; explaining what it is about and what it should achieve. It could also try to achieve a kind of understanding

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about how to deal with undemocratic states, even in the context of competition for strategic resources as we've seen in the past.

Finally, an obvious point that is very important to make is that despite economic and financial crisis, both actors should pursue policies towards third countries within the larger development envelope, promote democracy and make that condition for further development aid.

### **John Glenn**

I will talk a little bit about where things are in the United States today with the new administration coming in, as the Obama administration defined its foreign policy goals. You can hear voices on both sides of the Atlantic saying what we've learned over the past eight years is that we cannot 'export democracy', but we have to be more modest in our foreign policies. Richard House from the Council on Foreign Relations says: "America does not have the ability to transform the world; we should go slow and focus on building its prerequisites, the checks and balances of a civil society and constitutionalism, instead of rushing elections or imposing political change through force." To my ear, while this is all relatively reasonable, it reacts to the Bush administration policies by obscuring decades of European and American experience at the field of democracy promotion that have relied not on the use of force, nor have they focused primarily on elections.

I never tire of reminding folks that not only do we share common values of democracy, but that two of our primary democracy promotion institutions, the National Democratic Institute and the International Republic Institute were explicitly modelled on the German political party foundations, such as the Friedrich Ebert Stiftung. This year, in particular, there is a certain sort of relevance to this question because it's 20 years since the fall of communism in Central and Eastern Europe. And it provides a nice opportunity to review the lessons learned in the post-communist world that suggest that United States and Europe should not retreat from the support for democratic reform abroad, but rather redefine the place of democracy promotion in a revitalized transatlantic agenda.

While the fall of the Berlin wall remains an image of an ecstatic Europe reunited at the end of the 20<sup>th</sup> century, the lessons learned over the last 20 years are often poorly understood and are more complex. Did the west export democracy to Eastern Europe? My answer is no. Numerous organizations provided help, resources, expertise, and technology to different countries with different results over time. Because there was no blueprint for change and we cannot forget that reform is almost always primarily driven from within.

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If you look at this region, it's clear that the countries of Central and Eastern Europe overthrew communist regime in 1989 and eventually joined the NATO and the European Union. The countries of the western Balkans fell into violence and continue to rebuild fragile institutions whereas the countries of the former Soviet Union have seen backlash, and backsliding towards democracy.

Differences in the post communist world illustrate that while external efforts can play a critical moral role in supporting democrats under authoritarian regimes, they are rarely decisive in the fall of those regimes. They can provide help to emerging democracies in reforming institutions, building civil societies; but even then, new democracies are fragile and vulnerable to back fighting as well as external pressures.

One of the interesting things about the moment we're in is that lessons like these are not new to those who have been active in democracy promotion. Yet it seems that it's a time when we need to relearn them again when we are in the midst of foreign policy debates about the future of the democracy promotion in the wake of the Bush administration's policies in Iraq and Afghanistan. I think backsliding among these new democracies, which Ana has identified, and rising of authoritarianism, has led some to warn about the so-called "democratic pessimism." They could lead policy makers to pull back from their support for democracy abroad.

Initial sings from the Obama administration have raised some questions when secretary of state Hilary Clinton went to China and declared on her first trip abroad that she did not want human rights to get in the way of partnership between the United States and China. And at the same time, there appears to be growing hesitation and even opposition to the EU enlargement and NATO enlargement, within its member countries as debates of enlargement fatigue. Now, while many observers have noted the apparent reluctance of the Obama administration, and indeed president Obama himself, to use the word "democracy" in political speeches. I felt that it was important to take a look at his proposed budget. In that budget, it makes a commitment to double US foreign assistance to help "the weakest states reduce poverty, combat global health threats, develop markets, govern peacefully, and expand democracy worldwide."

The new administration needs to continue the process; a process that has begun already of distancing democracy promotion from regime change and to articulate its place among competing foreign policy priorities such as energy security, combating terrorism, preventing nuclear proliferation, and international trade.

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The president of Freedom House Jennifer Windsor had a nice expression about five years ago on peace, which – as she repeated after Charles Dickens – is the best of times and the worst of times for democracy promotion.

The lessons from post-communism compel the proponents of democracy promotion, among whom I count myself, to be modest, recognizing that democracy is never exported, but always driven from within and frequently fragile, subject to backsliding. Post-conflict situations and rising of authoritarianism pose challenges, with risk of corruption, inefficiency, ineffectiveness. For democracy promotion to resume its place within the foreign policy debates, it needs to have a candid conversation about the experiences we've had in parts of the world that have shown to be the real challenges.

Admittedly in the world of public policy we can't look back to the last 20 years and say it would have been different if we've done nothing, or done something different. It's not a scientific test, but I think that the reinforcing role that international efforts have played in Central and Eastern Europe, in the western Balkans, in parts of the former Soviet Union show that given the right conditions, democracy promotion efforts can provide resources and expertise. I think it belongs on the transatlantic agenda as well, as one of the key success stories in recent years, besides the EU enlargement. Now concerns about the rhetoric of the Bush administration so-called freedom agenda in the Middle East have lead many to emphasize differences in democracy promotion between the United States and Europe.

A closer look shows these distinctions are exaggerated. When you look in the field of what American and European democracy promotion organizations are doing in places like Ukraine, places like Georgia, and parts of the Middle East, you can see they are usually doing very similar things, helping to build new institutions, to support civil society groups and independent media. This is how it works in this region where similar programs are initiated by Americans and Europeans. However, we must not forget about the backlash that Ana identified in the former Soviet Union and in China, where things like the rise of Shanghai Cooperation Organization has affected American and European non-governmental organizations alike, with British and German organizations having difficult time in Russia as well as American organizations in many places. Some of the most dynamic efforts in recent years in this field have been undertaken by new member states of the EU and NATO as they share their experiences of democratic transformation with other regimes and they bring a kind of credibility to their experiences and their knowledge of what it's like to go through these transformations.

Yet at the same time I feel that for this discussion to be balanced, we have to recognize that the western Balkans and former Soviet Union highlight the

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limits of democracy promotion, the protracted difficulties of post-conflict situations and the potential for backlash by powerful states. And these are certainly challenges that continue to confront policy makers.

### **Igor Blažević**

I would describe myself as the foot soldier of the democracy assistance; my organization is mainly operating in Burma, Cuba, Belarus and countries of that type, providing assistance to family members of the prisoners, as well as providing assistance to registered organizations that face huge difficulties from the local authorities, and are often capable of functioning due to foreign support.

So you should not be surprised if there is certain level of skepticism on my part, regarding the window of opportunity right now, or certain level of frustration in my presentation, as it is coming as a voice of the besieged, of the oppressed human rights defenders in countries that I have mentioned.

I fully agree with what John has said; we should not retreat, and by “we” I mean the US administration and the EU member states. There are negative factors influencing this; some of them have been mentioned: the mistakes of the Bush administration, the economic crisis etc. One can feel a pessimistic overreaction in the air; I think that’s wrong; it should not happen. This is simply the moment to raise responsibility, the moment for Europe to take a lead. I think that at this moment, the EU member states are in a better position and more obliged to become the trendsetter in democracy assistance, precisely because of the obstacles the Obama administration has to face because of the Bush legacy. It will take some time before the Obama administration really regains self-confidence and courage to be more outspoken on democracy and human rights issues; at the moment, however, this is creating a void.

And that void will be filled by the opponents of democracy, if the European Union does not act the right way, if it does not take a lead. And taking a lead means a couple of things. On the one hand, it is extremely important to forge the internal European political consensus on democracy. But knowing how things go on in Europe, it will take time; it involves a lot of internal debates that do not really help outside the EU and do not inspire anybody outside the EU anyway. In any case, it’s extremely critical that we put already existing mechanisms in the EU in very persistent and courageous assistance to dissidents in China, to lawyers and journalists in Russia, to bloggers in Iraq, and so on and so forth.

We have mechanisms, we have funds and we can do it; and we can do it without seriously endangering and hindering our diplomatic engagement

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with the governments of China, Russia etc. Moreover, Europe is now better equipped to do that than the United States.

Another thing (and this is another point in which I strongly agree with what John has mentioned and what is in the policy paper) is that we do need some intellectual homework to do; we need to rethink the democracy assistance programs which have been going on for 25 years. And we need to define a new frame that will be positive and optimistic, while also being modest, persistent; on top of that, it should be bipartisan across the party lines and it should work simultaneously on all three levels when it comes to the target groups. It should empower the grass roots; it should build institutions and rule of law. But it should not entirely give up the trust in elections. Elections do matter, despite the widespread fear caused by the election victory of Hamas in Palestine or the violence in Kenya etc. But in spite of all these dangers, connected with elections in a fragile society, we should not give up on elections because they are the crucial mechanism of the building up and strengthening of democracy.

At the moment, there is a significant drive toward multilateralism and working through the multilateral organizations; that also means a drive in dealing in constructive terms with well-entrenched regimes that are hostile to democracy, both domestically and internationally. And while this drive is already a commonly accepted policy for the EU member states that have been always more inclined to it, it is obvious that the US is now strongly shifting in that direction too; that's really an important shift. When we are talking and constructively engaging with undemocratic regimes, at the same time we should openly, clearly speak out our values, we should be outspoken in naming things that are wrong, and we should really stick to our aid programs, to our democratic rules. We should not dismantle that part of our identity, of our values, and of our existing programs just because we need and we have decided to engage constructively with the governments around the world, just because we need consensus and cooperation in terms of nuclear proliferation, consensus when it comes to tackling the economic crisis, global warming, etc.

Another thing, there is a lot of talk about how we should undo the Bush legacy. There is one thing that the European Union and its member states should and could do: they should accept a certain number of the Guantanamo detainees. That would be a major breakthrough in assisting Obama in undoing the Bush legacy, that is, if Obama continues trying to find a solution to dismantle Guantanamo. And there is a strong obligation on think-tanks and human rights groups that have so strongly criticized Bush for Guantanamo now to help the policy makers and the European Union to pursue and help vis-à-vis public to make the hard decision.

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Another issue I would really like to see solved is quick, effective, coordinated diplomatic effort of the European Union and the United States on Burma, because there is a window of opportunity; when it comes to democracy, we need a small success story in today's doomed time – a small victory – and if we can't pursue China to move along with us in finding a certain solution for Burma, then how can we expect to convince China to move on anything else? It would be most unfortunate if we lost the momentum of trying to do something serious in Burma, with such a clear, sympathetic case like Aung San Suu Kyi.

I'd have another recommendation, probably as provocative as the one concerning accepting the Guantanamo detainees. After the European Union has ratified Lisbon and consolidated our European institutions, we should offer membership to Turkey and Ukraine. That would be another major push to strengthening democracy assistance. We are justly proud that the European Union worked so well in democracy promotion through its enlargement; obviously, Turkey and Ukraine are the next places that can decide about the state of democracy in the world in the next few years. We don't need to accept Turkey and Ukraine in two or five years, we can do it in fifteen years but it really matters what we will offer and how we discuss things with them.

### **Ernst Kerbusch**

I try to concentrate a little bit on what I've been doing for 37 years, which is about 80% of my working time on democracy promotion as the international director of the Friedrich Ebert Foundation, the institution that has also played a major role as an example for setting up the US institutions under the international endowment, because of the fact that it was Friedrich Ebert Foundation after which other German foundations have been founded; it was simply a model for the rest of them. However, this is the last time I will speak of models in democracy promotion, because this has been tried too often.

Let me first say that in relation to the subjects that we talked about in the morning, we are delving into the problem of legitimacies this afternoon. Because fighting for better forms of trade worldwide under the basic idea of global improvement of the situation of mankind etc. is not a question of legitimizing. Everybody knows about the need of doing it, but we have seen how difficult it is, even under the terms of exclusively European and US interests. But in terms of democratization, we have a problem; it is not a question of demand and supply under the actual circumstances. There is a lot of supply, which is represented here and the demand is not so secure. I see very little official demand from Russian and Chinese sources etc. towards our supply of democracy promotion.

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In spite of that we are trying to do it, and that makes it so difficult. But in order to explain how I see that we could improve what we were doing in the past, let me first distinguish what the different institutions are doing.

I see four major democracy promoters nowadays. One is the international community, which is the most legitimized because we have the universal declaration of human rights and the universal declaration on social and economic rights. So the international community has done a huge effort in selling to all nations of the world what we are discussing here, promoting democracy worldwide or at least important ingredients of democracy, human rights, etc. But the difficulties are. I'm not going deeply into that, but it is quite clear that even the institutions that the UN has set up until now have not brought very much.

The next one are groups of nations. And regrettably, I have to take Europe into account here and mention the difficulty of reaching common European foreign policy and transferring it into practical politics, which would be even more important part of it. This has not worked until now, with very few exceptions where interest is strong enough to bring us together; however, rest assured that democracy promotion is not one of the exceptions. This is a problem while we are far from reaching any consensus.

The third are the non-governmental organizations. They are, of course, mentioned in the paper; but we need to define how they are related to states, financed by states; how they depend on national executives, governments etc.

And finally, the last group of political institutions that's trying to do the job of democracy promotion worldwide is the institutions that are closely related to political parties, which means that their work is ideology-based. I'm using that term to make it very clear that there is a deep difference between such institutions and their counterparts that try to bring about the values of democracy independent of the political philosophies of the institutions in the countries where they work. The political foundations in Germany have always been intensely coordinating their work with political institutions in the countries where they work. We have been doing that since the early 1960s. We have had a long experience in that work. I'm not speaking about political parties that we cooperate with in those countries. I'm now speaking about the political foundations in Germany altogether, not only of the Friedrich Ebert Foundation, because that is a common philosophy that we defend.

We have been working with institutions, with organizations that share our values. I'm going back to the word ideology again. When we started our work, there were no parties available as our partners. So we had to cooperate with other institutions, human rights organizations here and there, women's

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organizations here and there, trade union organizations etc. And that was the type of cooperation that we searched for in order to get our partners fight for their own rights and fight for their chances in their own societies. So we have never tried to transfer any German model to somewhere else. But the idea was to transfer the will for freedom into those countries, into the heads of their leaders as well as into the heads of rank and file members of the organizations that we have been working with. Not a model, not a German one, not a European one, not a Western democratic model, but the values ideologically based on social democracy in our case, on Christian democracy in the Konrad Adenauer Foundation in Germany, etc.

What is the difference of our approach and the approach of other institutions, especially those that are basically defending techniques of democracy as their promotional effort? The difference is that we go into the countries we work for and try to convince our partners, our political friends to do what in a democratic framework would lead to more democracy in a country. More democracy means more participation, more pluralism, more rule of law and all the political freedoms that one can stand for. It does not mean to employ the German electoral system, the American electoral system, any type of constitution from somewhere else; just build something in which the political, the ideology is the base for what you stand for and try to strive for in your own country. That's where we try to help them and where we have been quite successful, at least in some cases.

## Q&A

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*The democracy promotion is very much a Western concept, meaning both the United States and the European Union acknowledge the importance of building democracy across the world, but just perhaps in recent years we have faced additional challenges. Perhaps it's not so visible in this particular field, but there's an obvious rise of the new powers, of the so called sovereign democracies, especially China and Russia; for a long time, it was a commonly shared opinion that democracy promotion is linked with development. It was a way to convince the countries that were not democratic to adopt certain models in exchange for development or material aid. But now, if you look at the Chinese policy in Africa, for instance, the Chinese are actually coming in and they don't actually demand anything else. Do you think this poses us with some additional challenges?*

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**Igor Blažević**

The fact whether China and Russia pose additional challenges is one of the reasons for my pessimism. The European Union has been really committed for a number of years to development assistance connected with millennium goals. Bush has done it too, although it's not been promoted well; however, he has achieved really significant improvements when it comes to the funding. Obama is speaking it up, raising it up financially and probably on the level of diplomacy and the rhetoric as well. So there is a real overlapping interest between the United States administration and the European Union to push strongly particularly in Africa in direction of the strengthening democracy but also really improving the development of the region. At the same time, you have China in the local playground, significantly undermining the European and the United States' efforts because non-democratic or corrupt governments in Africa will deal with China and it will be easier for them to do so with China; that way, they may safely stay in power.

**Anna Michalski**

With globalization, we unset forces, not only economic forces but also political shifts; some would call it a paradigm shift. In my opinion, that paradigm shift came in parallel to globalization and shift in economic power. The fact that we talk about a multipolar world as a globalized world is very significant and it has an impact on how we can formulate democracy promotion as a concept, as a policy that should be persuaded and should be put on table by important actors, the EU member states and the USA. In this context, it is very important to have some intellectual thinking to get to a new narrative, so we know how to deal with democracy promotion in a multipolar world. Obviously, multipolarity has to do with rights of new actors; couple of years ago, we were very concerned with China and Russia, and in some respects Russia is more alarming but China is more important. In this regard, I like the idea of Burma trying to score a success. You call it a small victory in Burma; I think it's very important both for what it is in itself, but also to engage China in that process and maybe open up for something else than confrontation. Maybe have China to take responsibility in ways we haven't seen before.

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### **John Glenn**

The challenge here is we simply must be clear here about what we mean by democracy. Because it sounds simply like we must be speaking about the Western concept. I want to mention solemnly one of the most interesting pieces by the Nobel-winning economist Amartya Sen called “Why Are There No Famines in Democracy?” in which he looks at democracy as a system in which information feedback loops are more possible in situations between the rulers and the ruled, the governors and the governed that allow there to be that sort of basic adaptations as projects that go on. That’s one of the most interesting non-values based *per se* arguments about usefulness of democracy in a very broad sense. Now, in the development field, I sometimes feel like we run a risk of seeing development and democracy as alternatives to each other. And the reason why that’s unfortunate is in part because it obscures within the development debate. There’s been a move away from this exclusive focus on poverty reduction and on recognition that a political context in which development aid is made matters without a system that relies on things like transparency, good governance and the rule of law. Much of development aid goes in the pockets of corrupt leaders and doesn’t get at all to the goal on which the development aid is made; this is a movement within US AID in United States, that’s a movement in department for international development in Britain, that’s a movement in Swedish Ministry of foreign affairs, a movement happening on both sides of the Atlantic, suggesting these fields are a little bit closer then possible.

### **Ernst Kerbusch**

The Western approach is to be allowed to say what you want to say and to be allowed where you want to go. And this is something that we not only stand for; that is also something that we try to sell to some extent and that we often succeed in. Let me refer to the example of our cooperation with Russia and China. It is true that China actually is an impediment of what we are doing in Africa now, and maybe next year in Latin America, and maybe next year in other Asian countries as well. But this is for the time being. We have hundreds of thousands of Chinese students studying abroad and I’m absolutely sure that it is urgently necessary to even improve on that record. The more Chinese that come to the United States, that come to Europe, that come to Japan, that come to Australia and go back to China, the better, for they see with their own eyes that freedom works for them; and the same goes to Russia.

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## European Union, United States and the European Neighbourhood: strategic partnership or diverging interests?

**Chair:** David Král, Director, EUROPEUM Institute for European Policy, Prague

**Rapporteur:** Tomáš Weiss, Research Fellow,  
EUROPEUM Institute for European policy

**Discussants:** Nicolas Jabko, Senior Research Fellow, CERI  
Richard G. Whitman, Professor of Politics, University of Bath  
Thomas Spiller, Senior Director, International Programs SAS

### Tomáš Weiss

I don't really want to introduce the (policy) paper for two reasons: first, you have it in your folder, so you could read it yourself without having to listen to me, and second, I wasn't too included in writing that paper so I don't feel very comfortable in presenting somebody else's work. Nevertheless, I would like to take up the topic and take up few thoughts and the basic focus of the paper and briefly develop my own thoughts on that. The paper is an attempt to define points of convergence and divergence between the US and the EU eastern neighborhood in Eastern Europe. I would argue that there are many points of convergence and divergence you find in the paper that are quite valid. As a few people here today already mentioned, the paper was written at the end of the last year, so many things might be a bit outdated, especially due to the new US administration; but unfortunately, a lot of them are still very valid, and seem to be valid for months to come. I would argue that the main problem of the EU and US cooperation in the eastern neighborhood is the different strategic importance of this area for the two partners. I would like to develop this thought on the three broad topics and three basic issues that are presented in the paper. These are the relations with Russia, relations with Turkey and the approach to the Western Balkans.

I would start with the Western Balkans where the strategic importance to some extent is closer to each other. For the US the main concern in the Western Balkans is definitely stability. The US doesn't really have any significant strategic interest in Western Balkans, except for not endangering the stability of the EU. For the EU, the stability of the Western Balkans is obviously of the

utmost importance as well, but we have a few issues that blur the picture a bit more. The first one is the question of enlargement: what to do with the Western Balkans? Are we able to swallow it? Are they able to be part of the EU? The second question is obviously about organized crime. To what extent can we deal with our internal security which is somehow connected with the weak states in Western Balkans? These are issues that do not really play a significant role in the US approach to Western Balkans. However, the EU must be much more interested in what's going on in that area. But still, this is a problem that may be solved; this is the easiest one to deal with. The other two, namely the relations with Russia and Turkey, are a bit different.

There is a common interest of the US and the EU on Turkey: making the EU-NATO relationship work. The role of Turkey is crucial here; without Turkey, the NATO and the EU cooperation, which is very important for both partners as well as for the US, simply cannot work. Now, the rest of the two partners' interests are slightly different. For the US, Turkey is important because of the stability of the region, but not so much of the Balkans, or the Mediterranean, but obviously of the Middle East. Furthermore, Turkey is crucial for the US for its possible assistance in dealing with Iran, the Israeli-Palestinian conflict, and also with the Muslim world in general. Turkey is the Muslim ally of the US. We have actually seen that just recently at the last NATO summit which ended with Obama's trip to Turkey just after the European trip, the EU trip, let's say. For the EU, Turkey is crucial as well but slightly differently. It's crucial because of energy, the energy corridors, the southern corridor that we have now, under the Czech presidency, signed, very pompously; we'll see what happens with that. And obviously the crucial question with Turkey is the enlargement. Again whether the EU is able to develop any other relationship with Turkey except for letting it in; whether the EU will be able to tell Turkey that they don't want it within the EU, or they do want it in the EU...so far we are not really sure what the EU wants. Obviously, the strategic importance of Turkey is completely different and the approaches of the two are slightly different, as we could see already with the new administration and with Obama strongly advocating for the Turkish membership in the EU.

As to relations with Russia, the issue seems very different from the EU and the US respective perspectives. We talked a lot about what Russia means for the EU: energy, first and foremost, trade, maybe internal security cooperation to some extent, and obviously stability in the region, stability in Ukraine, stability or, rather, change in Belarus (not so much stability for what they have there) and the Caucasus. For the US, the story is completely different: there might be talking about the stability in Caucasus, the role of Ukraine and so on, but what

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is really important for the US is obviously the nuclear disarmament. It is the role of Russia with the new negotiations over START, over North Korea, over the approach to Iran; and this is a thing that will most probably overshadow everything that the new US administration will do vis-à-vis Russia. Therefore, there is potentially a huge challenge for the EU strategic interests.

Although there are these divergent strategic interests in those three areas, still the main problem lies somewhere else: inside the EU. If we talk about the EU-US relationships and the EU strategic interests, we are somehow on the blue water. If there are any EU strategic interests, who defines them under more strategic interests of the member states? I would even think that if there was a clearly defined EU strategic interest, the US would be very happy for that, because you can negotiate it, you can find some common ground. If you don't know what the EU actually wants – and the EU doesn't know what they want – than it is very difficult to find a compromise.

What is the outlook: we have two issues that are flying in the air; and I would be a bit skeptical about both of them. The first one is the change with the new administration – the problem basically lies with the EU, so the change in the US administration cannot make any difference; the new US administration will not make much difference on the EU foreign policy either. Simply the strategic interests are still there, as we have already seen, and Guantanamo has been already mentioned; it is very difficult to provide for the change in foreign policy completely. The second issue would be more coherent in the EU, and there are many people talking about the Lisbon treaty providing the coherence for the EU. I would be skeptical on that as well. First of all, Lisbon keeps the unanimity, somebody already mentioned that here, and it might even complicate the picture because we'll still have the member states and their interests, but then we will have somehow stronger representation at the European level. What will be the relationship between the 28, to be completely precise? To some extent the picture would be much more blurred.

For the EU to some extent the risks and challenges stemming from the eastern neighborhood and from the world in general are still too low to create a push big enough to make a significant change for the foreign policy making; and unless we have a significant change either in giving up foreign policy making at the EU level or giving up foreign policy making at the level of the member states, we will be stuck somewhere in the middle, not really sure where we are heading and being a very unreadable for the US partner, to deal with us and to create some kind of convergence in the eastern neighborhood as well.

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**Nicolas Jabko**

The (policy) paper was very well informed, covering the whole issue. I have just one general criticism; in my opinion, the EU views and US views are sometimes put into an opposition that is too strict. The arrival of the Obama administration did change something and there is a continuing difficulty of the EU to speak with one voice which means that we have a world which is characterized by shades of gray rather than black or white.

I want to devote my comments to the two factors; Obama – the new Obama factor, and the topic of EU divisions on the issue of European neighborhood policy. And I'd like to provide you with the French perspective, albeit an unofficial one.

As to the Obama factor; Barak Obama made it possible for the Europeans to cooperate with the US, and this is relatively new. Of course cooperation with the US never stopped; it existed during the Bush administration as well. There was a lot of cooperation on the fight against terrorism, but it was a very difficult exercise. It was like being friends with the tough guy at school; you can't really avoid being friends with that tough guy because you need the protection of the tough guy against other tough guys but sometimes you are really embarrassed because the tough guy turns into a bully and you also have to pay attention because sometimes the tough guy steps on your toe. The Europeans cooperated with the Bush administration against terrorism but they didn't do that from conviction; and that was, of course, especially true about Iraq and Guantanamo. Under Obama, things are changing, and maybe this is a little bit underestimated in the paper because despite the continuity, the tough guy is also a nice guy now, and this changes things. You can feel good about the friendship that you have with that guy and you can do more things with him; in foreign policy, that is called "multilateralism". Obama is much more open to multilateralism than Bush was, and this is especially the case on issues which are not directly related to EU neighborhood policies, but which are important to Europe, such as global warming or the defense of the rule of law, such as the planned closure of Guantanamo.

There is this sort of communality of view which changes things and which means that we can expect that the differences between the US and the EU will be in general turned down a little bit. Of course differences of interest will not go away in a happy multilateral world; and in a way, Obama makes things more difficult because it is harder to say no to him and this was especially clear when Obama keenly supported Turkish membership in the EU followed by a very embarrassed reaction of both Chancellor Merkel and President Sarkozy who

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said that that was something that the Europeans should settle on their own. There was clearly a sense of unease about the US taking a stance on the issue of Turkish membership.

In sum, we are no longer living in the world of “with us or against us” which was the case with Bush. Nevertheless, things might be even more complicated today, because you have someone that the Europeans have to work with as they did in the past with the Bush administration, but they also have to show good will, and this is something that is relatively new.

As far as the divisions in the EU are concerned, the fact that the EU should speak with one voice doesn't mean that it will. It's only natural for different EU member states to have different foreign policies, including the issue of the European neighborhood policy. This is most obvious when it comes to the EU neighborhood policy on the topic of Turkey or even Russia because these are fundamental issues and countries will want to make sovereign decisions on these issues, unless they are forced to an agreement by strong common institution which does not exist at the moment. So this is a situation that will not go away and the relationships and partnerships with the US have nothing to do with it. This is really an internal European situation. The French favor a strong, common foreign security policy, but in practice, the French presidency did not seem to be very multilateral in their approach. This is also the case of the Turkish candidacy to the EU, where Sarkozy very clearly said in the beginning that he really didn't care about the state of EU negotiations on this issue and that he would just oppose it – and he has opposed it; less vocally, as it turned out, when he became the president than when he was a candidate but he has been effective in trying to slow down the negotiations with Turkey.

When one looks at things a little more even-handedly and without the bitterness one might feel when listening to our president, one has to see that his foreign position is still more pro-European than many, because in principle he is still in favor of the united foreign policy in the long term. In the short term, it remains true that as long as Europe does not have this common foreign policy, France will make its own foreign policy decisions in a sovereign way; as for Turkey, it is a high policy issue and if you are the French president, you simply cannot ignore the national foreign policy concerns of your diplomats and the popular discontents; you are aware that you might provoke your people if you pursue the issue of Turkish membership against the will of the majority of French citizens who are afraid of an uncontrolled enlargement, as shown by opinion polls.

In conclusion, what can be done about the asymmetry between the US and the EU? Not much can be done within the current institutional framework. Of

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course, we could change this framework in the future, but I think that some of the recipes that are proposed in the paper, including the strengthening of communication, is something that comes back again and again as a recipe for making the partnership works better...I don't think that alone would help the EU division and the straightened US-EU partnership. In my opinion, the main problem is the institutional setup of the EU. However, there is progress – we have people around the table at this point which is better than people fighting against each other in wars. But we are not in the situation in which one person can make foreign policy as the Americans do. And as long as this is not the case, there will be a lot of continuing divisions in the internal EU views.

### **Richard Whitman**

Let me tackle the question that was posed for this session, whether there is a strategic partnership or diverging interests in regard to the EU and the US and the European neighborhood.

I would say that there must be strategic partnership, absolutely, no question about that. On the point of diverging interest, the interests are largely converged, as the (policy) paper shows rather nicely; but in a number of important areas, they are converged insufficiently. Turkey and Russia are a very good illustration of that. However, the problem is largely on the European side where European member states find it rather difficult to converge their policies on these two questions. The fault is not with the US; and to be honest I am a bit reluctant to criticize the US this time because I don't think a honeymoon is an appropriate time to put down your partner.

I want to elaborate on whether the EU is actually capable of being strategic partner. I want to look first to the issue of geopolitics, in particular whether Europeans can do geopolitics. I think we had the geopolitical gene removed in the 20<sup>th</sup> century and as post-imperialists, we find it rather difficult to think geopolitically. We do have a kind of genetic problem, if you like. In any case, we are strategic partner, a grand strategic partner but we do have problems with the means, with capacity to deliver in our relationship as a strategic partner to the US.

Can the EU actually do geopolitics? Can it do a grand strategy? One of the nice things about the paper is that it doesn't focus on the European neighborhood policy, but on the European neighborhood. So it focuses on the Western Balkans, on Russia and on Turkey, and I think the fact that the European Union has decided to cut those up and treat them individually is a problem for the EU. It is reflective partly of the problems we have in thinking geopolitically, in thinking geostrategically.

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When it comes to the neighborhood, we simply don't have the luxury of not thinking about neighborhood because it is actually a pretty bad neighborhood to live next door to. Living standards in many of the neighborhood states, particularly to the south, but also relatively to the east, are not satisfying – they are marked with high levels of corruption and organized crime, and also very vulnerable political systems. The problem we have at the moment is that there is a lack of ability of the EU to actually prioritize. Prioritize is what we consider to be the most important issue and what we should tackle within the neighborhood.

Is energy policy first that we should have? Is it the relationship with Russia that should condition the way we think the eastern part of our neighborhood? If we look at the way that we've deployed our legions and the way we are spending our treasure – we are spending relatively most of that in the Western Balkans; is that a good place to be spending it? What's clear if you look at what has just been happening over the last 12 months with the creation of the Union for the Mediterranean and the Eastern Partnership; what we constantly do is fiddle because we don't have a collective agreement about how we should prioritize. We try to please everybody within the EU and we also try to please our partners. If you look at the European neighborhood policy, it's what I call sub-optimal-policy. In other words, it's one of the best that one can get from what we got in terms of what the states are willing to sign up to, and what instruments we've got to deliver on, but there are some big gaps in that policy. One such big gap came very clear to us last summer – lack of conflict prevention. One of the real neglects in our policy for the neighborhood is the fact that we have not thought about the frozen conflict in any serious way; we haven't tried to turn them from frozen to much more manageable conflicts. This is a real neglect on the part of our collective policies and it is really tough task to get the EU to resolve it. However, I don't think we made enough serious effort.

So we've got a bit of problems on the geopolitics.

Turning to the means; as for the issue of delivery, I have three questions for myself: should the EU really be delivering in the neighborhood? What are we actually asking the EU to deliver? How do we measure the successful delivery? And we can ask these questions also of the relationships between the EU and the US as strategic partners.

One of the things the EU used to be rather good at, particularly with the recent enlargement process, was thinking in the medium and the long term. There is a sort of short-termism, within and across the member states of the EU that's obviously functional when we find ourselves in the economic crisis,

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but it is also a function of the fact that we are not willing to confront the difficult choices; we are getting worse working long-term; and we used to pride ourselves of being better on the long term than the US was.

How do we measure the successful delivery capacity? In terms of political will, which is absolutely central requirement of capacity delivery. Just contrasting the situation in the UK on Turkey, which is almost a pole opposite extreme from France, where we have no discussions about Turkish accession from top to bottom. And there is a very small constituency of people interested in that, which is not a good thing for the UK, and not a good thing for the EU.

Second point on the capacity delivery: the EU has broadly got the right instruments, and it has broadly got the right resources. The problem is there is still this open question of finality. What are they for? What are we supposed to be driving towards?

We face a couple of key constraints, in terms of really being a decent strategic partnership. The first, internal one is the institutional arrangement that we've currently got within the EU, which isn't good for addressing some of the challenges that we face. We have also policies working one against the other; we have our policy on internal security that works against the ambition to improve our relationships with our neighbors, like visa facilitation as a short term. It is really something that the partners want but something they are not getting in the way that they hoped they might.

Lastly, we simply don't junk policies that don't work. And you can see this very clearly. There is a question about whether the policy we have, needs a radical departure. But just think about the Mediterranean as one part of the neighborhood. We are going through a whole series of iterations and forms of relationships between the EU and the Mediterranean, most recently with the Union for the Mediterranean. We simply have not been able to put a close on the policies that we have. We cannot rip it up and have a really fundamental rethink of the relations, if it isn't working. And final point, which is one of the things I'd like to see in the next report – there are some benchmarks for the relationships between the US and the EU, moments in which you really evaluate whether the relationship or the policy is actually working. It'd be very nice to have a whole series of benchmarks by which we can say: yes, we are more convergent in this area or there are some areas in which we are diverging and we hadn't anticipated that there'd be a divergence.

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**Thomas Spiller**

I am very happy to be here as a private sector representative. First of all, SAS program is not the Scandinavian Airline, but a US software company.

The topic of neighborhood is very interesting and I am very glad that the Mediterranean regions were mentioned as part of the concept. On the business side, if one looks at the map, at our neighbors, Middle East, Egypt, Israel, Jordan, Syria, Turkey, Balkans, Caucasus and Russia, all of this could become our natural extraterritorial market; it could become what Latin America is for Brazil and what Canada and Mexico are for the US and what East Asia is for China. Business is not waiting for policy makers to take the right step. We are investing in those regions, we are buying from them and they are buying from us.

That's what I can call an arch of opportunities which is naturally surrounding Europe from south to north. And there you find a huge market, with a very young population, especially in the Mediterranean region, a decent level of education in most countries, and especially people who are simply eager to have a better life. From Libya to the Balkans, people simply aspire to have a car, a fridge, a TV; it's the same everywhere. I visited Iran not long ago, and it is the same there, people want to have a better life, to have DVD players, and to join Facebook. People are just people! The regime is different, but the citizens are not. In terms of business, the huge opportunity is simply based on how we walk with policy makers to address the way our relationships are. Here is a recommendation for your paper in terms of concrete steps to take in order to make these relations between the EU and the US and those countries better. Let's help them to achieve the rule of law, because this is the key for business. Transparency is another key issue for business but also for all of us, for all the citizens. Another crucial thing is education; our task is to help those countries to do a better job in educating their young people, girls in particular.

Let me make a point on the last panel on democracy, which was very interesting. Without jobs, without future for the kids, without food on the table, words like democracy or similar concepts seem quite vague. You need to have those terms, you need to have the concepts, but you also need to have the means to apply those concepts in the real life, otherwise it might become just a dream. That's where the help and collaboration between think-tanks and policy makers in business is very important because we are on the ground, we have thousands of employees, local employees and we know the local reality.

As to the arch of opportunities that naturally exists around Europe; in this respect, the EU and the US have the same interest. This is convergence. We

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have the same interest, be it Siemens, AT&T or any other company – it's the same for us, and it's about jobs, it's about people. If we want to maintain the same life style at least, pay for retirements, we will have to have immigration in Europe; maybe a different kind of immigration, maybe a more selective immigration, just as the US are trying to get more skilled people; but we will need to replace the loss of population. In Italy, the population curve is not very positive on the long term; in Russia the situation is even worse. We need immigration and this arch for opportunity, from the Mediterranean to the Caucasus, may help us if we address its people with the right policy and the right tools that might help us to fill that gap in Europe. At the same time, such a task is kind of political suicide. So, we need to be a little smarter, in confronting our citizens' fears. We need to do it, so let's try to find the best way to do it. We have to engage those countries because the risk is that, due to the climate change for instance, with the huge impact in Africa, we will see massive displacement of population. I remember the CIA report from two years ago that predicted that millions of people would be moving north because of the climate change. Moving north means moving to our countries. Going from Africa to the US is more difficult; going from Africa to the EU is quite easy as we know. Let's try to be really productive and help those people who have bad technology, bad education, bad investments, because that's our own future. That would be my second concrete recommendation.

On Turkey; it's a huge market. I will not say yes or no to the question of their EU membership, but the important thing is that they need to have clarity. EU needs to tell them yes, maybe in 15 years, or no. Let me give you one example why: in the business world, we started to see signs which are quite worrying for the US companies in Turkey. Turkey started to really implement EU regulations into the Turkish legal system, in order to show the EU they're ready to join the EU; and it made life more difficult for certain US corporations. And this is a point that the EU and the US should work together on, with a convergence. Business needs clarity, it needs long term transparency. Say yes, or no; you know, in 1966 we told them yes, and they never forgot! For European companies, this is not only about Turkey; it's about access to the Middle East in the south and all the Turkish speaking countries in the north. Those are huge markets; those people have oil and gas, and lots of mineral resources. There is more to that than just Turkey at stake.

As for the different EU and US views of Russia, when you talk about energy security in Washington, you don't think of Russia, you think of Venezuela, Saudi Arabia or Nigeria. We just don't see the Russian question in the same way when it comes to energy security because the supply is not the same. All

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those things matter to all of us; the rule of law matters in Russia, and there is a question mark about that in Russia. We really need to engage with that as well.

When it comes to the Balkans, I was ashamed as a European citizen that we couldn't find a solution by ourselves; that we had to ask the Americans to intervene. It happened because we don't have the right mechanism when it comes to defense and security policy. I don't have a crystal ball but if things get bad in the Balkans again, I do hope that we would be able to do something about it and solve the situation before calling on the US army. That's my wish, not my company policy of course, because we don't have one, but my citizen's view. The same goes for Afghanistan. Europe needs to assist the Americans in Afghanistan and to show some effort because the long term development of the country is a common interest. From the business perspective, we believe that there is huge potential in Afghanistan; therefore, it is essential that we adopt more consistent policy between the EU and the US. And we'd better do it fast.

## Q&A

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*I'd like to pick up on Turkey and the questions about what the US position or Obama's views on it are. There is a sort of change when Obama merely expressed a view about what would be in the strategic interest of the US, rather than to tell the EU what to do. He said it was in the interest of US for Turkey to join the EU for stabilizing the region. It seems that it shuts down discussions when president Sarkozy says: "Don't tell us what to do." That's maybe what he wanted to do by giving his view of Turkey, but I would listen to one of the voices in this context, that it should be understood in a different way. Will Turkey join the EU? Turkey is the candidate country – it is engaged in accession negotiations, stop there. I found it frustrating from the outside, listening to the Turkey talk as a sort of tennis match.*

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## Nicolas Jabko

Sarkozy didn't really shut down the discussion in the way you presented it; Obama was expressing the national interest but the national interest of the US is not necessarily the national interest of everybody. Obama didn't present it as a national interest of the US that Turkey should become a member of the

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EU. He said Turkey should become a member of the EU and on this Europeans have the right to disagree, just like Obama would have a right to disagree if the Europeans push him to incorporate Mexico into the US. EU made the decision to initiate negotiation – maybe this was a mistake, but there is still another decision to be made as to what the final stage of the negotiation should be, even though it looks like it is a little bit on automatic pilot. I think the fact that you have a treaty which is after all a political decision that everybody understands, a treaty for which there is no preset menu, means that, indeed, it's still a debate. And there should be a debate. As to the problem of clarity, and the lack of clarity, the problem that we are facing with the decision on Turkey is that there are pros and cons. And it's difficult to have a clear view. The best response that we can give them at this point is "maybe." It's not the clear "yes" or the clear "no," even though they say that they need to know. In fact, they know that the EU will not give them that answer at this point, because they do understand that this disagreement exists in the EU and maybe it is not such a big problem as they often say. Turkey has said that they want nothing less than membership, and they don't want a privileged partnership. When giving a choice between a privileged partnership or nothing, I bet they would choose a privileged partnership, and it would be in their interest to do so. If you look at the rhetoric of the Turkish government in the past couple of years, it has actually changed, from being maximalist to basically saying, "even if we don't get into the EU in the end, it is still in our interest to respect the Copenhagen criteria and to do everything that the EU wants us to do in order to become a member state of the EU". They understand the best interest of Turkey is to democratize, to become more prosperous, more open in all kinds of ways, to get better governance, and if they don't get the EU membership in the end, they will not necessarily suffer from that.

We have to calm down a bit when it comes to the issue of Turkey, and not consider that as a main, core break issue, considering that you can actually have a functioning partnership between Turkey and the EU without danger of the collapse of the EU, which was rightly pointed out.

### ***Richard Whitman***

My position on Turkey is pretty much straightforward. The decision was made. That was the moment in which member states really took the view they should have had the courage of their conviction. It is really unfortunate that we are where we are, because it's going to have a whole series of unfortunate and unattended consequences.

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*What actually do you mean if you say, “Well, there is no EU strategic interest”? It was said the EU perhaps lacks the geopolitical gene. It’s clear that EU foreign policy decision making process is definitely rather slow. And one would want to add: I wish the American foreign policy and strategic decision making process will be a little bit slower from time to time. Better decisions can come out of that than we have seen when it was very fast. Is it a disadvantage or an advantage: the way that European foreign policy consensus is reached? First, I would claim the EU common foreign policy is not that old, we are still in a learning process and we are in a process of strategic consensus building that is well on its way but still a glass empty or full—it depends on how you look at it. Second, on the lost geopolitical gene, is that a deficiency or is it evolutionary progress? Is it a good or a bad thing to address the geopolitical problems of the international relations crisis that the world is facing? The third aspect is the lack of ability to prioritize. True enough, but if you prioritize well. If you get your priorities wrong, it’s a bad thing.*

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### **Tomáš Weiss**

I will start with the EU strategic interest. I agree that the long decision making is not a problem as such. The problem is if there is no result in the end, and that is, unfortunately, the result of EU policy making on many issues. The capability to deliver is missing. If I look at it only as a glass half empty – to some extent it may be – the question is whether we have enough time to develop some kind of glass 3/4 full. That would be part of the answer for the missing gene for geopolitics, and I would take up Nicolas’s idea of the class with the bully, rather with the class of bullies in which you are the only intellectual small weak guy. That means – it might be that in the end when you are an adult – you’ll be the smartest, with the best career, but only if you survive the beating.

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**Richard Whitman**

On the question of the European foreign policy decision making process, I actually think on a day to day basis this makes a bit of a paradox. The EU is not bad in taking foreign policy decisions; this capacity even improved over the last decade. The problem is, let me borrow here the idea of Lego: Denmark's great contribution to civilization. If you buy it, it comes in a box with a fantastic picture on it; but then you look at what happens to kids when they play with Lego: they just put the bricks together and make this kind of shape that looks like nothing. That's the way we kind of build European foreign policy. We have bricks, we have a nice little policy on Burma-Myanmar, a nice little policy on Georgia, and the problem is what to adopt in terms of an aggregation of a clear sense of what it is that we really want to do with our foreign policy. And that's the case of the point about the gene, whether we reached the highest possible evolution as a sort of international political entity. I wish that it were so. The problem is, 5 years ago we might reassure ourselves with the view we could have achieved something. The problem is that the Chinese in particular have risen up much earlier than we expected, and their thinking is in slightly different terms from ourselves, which means we are not sure whether we have the luxury any longer to think in broad terms. We have to recognize the reality of the fact that some parts of the world were different in the past. We no longer have the opportunity to play around with the freedom that we had in the past because we face tough competition and the objectives that we saw in terms of development policy for, let's say, sub-Saharan Africa are now against Chinese foreign policy objectives. I am just not sure whether we don't need some kind of genetic transplant, and that's where the Americans can help us. Because they are largely responsible for thinking strategically during the Cold War; we outsourced our geostrategic thinking to them.

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## Part II – Policy Papers

# Transatlantic trade and WTO-related issues (with particular focus on agriculture)

*By Jean-Christophe Bureau (Notre Europe), with contributions by  
Jean-Philippe Gervais (North Carolina State University),  
Joe Guinan (German Marshall Fund, Brussels),  
Giovanni Annania (University of Calabria) and Alexandre Gohin (INRA)*

### A disappointing record

The EU-US trade relation has been cloudy during the last decade. Discussions regarding an EU-US free trade area initiated by Commissioner Brittan in the 1990s and briefly revived by Chancellor Merkel in 2007 have only led to somewhat symbolic decisions.<sup>1</sup> Even modest trade facilitation agreements, such as the 1998 Agreement on mutual recognition of standards, have not been fully implemented. Since 2001, the two entities have often appeared more as enemies than partners in the Doha negotiations. Since the creation of the World Trade Organization (WTO) they have had numerous disputes over agriculture, steel, aircraft, services, taxation systems and various regulations. Other disagreements, not brought to the WTO, have been numerous. Several

1) It is a bit unclear how Chancellor Merkel's call for a EU-US free trade agreement was taken by the US. The proposal was seen as Plan B for a failure of multilateral negotiations given that, at the same time, Chancellor Merkel indicated that giving the Doha talks a final chance to come up with an agreement was a priority.

of them have led to a bilateral compromise that is still considered as unpalatable by one of the party (e.g. the “open skies” agreement, public procurement in the military sector, etc.).

In the agricultural and food area, many problems persist, even though many issues look relatively minor and technical when put in perspective with broader transatlantic geopolitical interests. The EU clings to high tariffs and regulatory restrictions in sectors of importance for US exporters such as meat and maize. Both the EU and US agencies *de facto* ban imports of some other party’s agricultural products because of SPS (sanitary and phytosanitary) regulations. Many issues regarding intellectual property and mutual recognition of processing techniques remain unsolved.

## Reasons for pessimism

It is still too early to assess how the recent US presidential elections and the new conditions for cooperation created by the financial crisis will provide a boost to transatlantic relations. However, there have been many reasons for pessimism during the recent years.

The global environment was hardly providing the conditions for smoother trade relations in the coming years. Protectionist forces seemed to experience a *redux* on both sides of the Atlantic for the last five years. The attitude of public opinion towards trade had also become increasingly negative in the EU as well as the US. Threats to pull out of major international trade agreement by candidate Obama during the primaries seemed to meet strong support. The US Congress has shown that it was increasingly reluctant to sign trade deals and keen to pass protectionist legislation. In some EU countries, words such as “free trade” or “globalization” are seen as intrinsically negative in recent polls. In the food and agricultural sector, the recent farm bill passed by the US Congress is seen as a provocation in the EU. The WTO incompatibility of this bill was considered as another symbol of the contempt shown by the US for international rules and global governance. Europeans have taken note that Senator Obama supported this bill and that it was not a product of the Bush administration they usually accuse of unilateral policy. In Europe, this US farm bill is also used by pro-farmers lobbies as an excuse for clinging to protectionist and interventionist farm policies.

One should not ignore that trade disputes refer to fundamental differences in the social model. This is particularly the case of some recent disputes such as those on genetic engineering, hormone treated meat, geographical indications, competition policies or environmental issues. They all go well beyond simple

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trade barriers, and result from different choices regarding public regulations by democratically elected bodies. Worryingly, the convergence in social as well as economic values between the EU and US, which characterized the post World War II period, seems to have stalled.<sup>2</sup> The situation in Europe was recently qualified as “global backlash against the spread of American ideas and customs”.<sup>3</sup> In deep America, the distrust for Europeans seems to have increased dramatically, so much that a trip in Europe of a US presidential candidate led to a decline in his popularity. The election of Barack Obama, who seems to be hugely popular in European countries, might change things a lot, but for the last few years, the image of the US in most of the “old Europe” was that of a semi-theocracy destroying the planet by refusing to curb greenhouse gases emissions and trashing international agreements on a weekly basis. In the same time, Americans were seeing Europe as a breeding ground for terrorism, Europeans as free riding their global security at the US taxpayer’s expense, while the predictable decline of their economy and their political inaction make it safer to expand US law territoriality (hence the Helms-Burton and Patriot Act, CIA latitude with EU sovereignty, etc.).<sup>4</sup> None of this was exactly a good background for a trade agreement.

Finally, the economic and political outlook is gloomy in both entities. The EU could be heading for a major constitutional crisis. After the blows of successive referenda, Euroskeptical governments in several of the new member states, Europe could face major destabilization if the British voters elected a conservative government, which might be the most Euroskeptical administration since 1973. This would make it more difficult to isolate loose bolts such as Ireland and Poland within the Council. In practice, this could lead to “cherry picking” bits of the different treaties, even perhaps a dismantling of the Union’s core policies while members opting out from major institutions. None of this would help international negotiations in trade as in any other area. In the US, the incredible capacity for resilience of the American economy should not be underestimated. However, given the fundamental economic imbalances that have been piling up for decades, the housing and financial crises might this

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2) See Williams (2007)

3) This is a conclusion of the German Marshall Fund study (Glenn 2008). The Pew Centre found in 2008 that only 30 percent of German citizens have a positive view of the US, down from 78 percent in 2001. The perception that the United States acts unilaterally in international policy decisions is now shared by 90 percent in Sweden and France, and 70 percent or more in Britain, Bulgaria, Czech Republic, Germany, Slovakia and Spain.

4) Interestingly, Chamorel (2007) points out the responsibility of think-tanks in the rising of anti-European attitude in the US, referring for example to the December 2002 issue of the American Enterprise Institute Review whose articles read as follows: “The European Disease”; “German-American Requiem”; “Continental Drift”; “Old and the in the Way”; “American won’t listen to Europe’s Appeasers”; “The Real Problem is European Elites”; “Goodbye Europe”; “Irritating and Irrelevant”; “Europe Loses its Mind”....

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time have long term consequences on growth and employment at a time where inequalities have raised considerably, threatening the social consensus. The prospect for recession and a long period of stagflation threatens both the EU and the US. These are conditions for populist policies and trade liberalization is often one of the first scapegoats.

## Some hope

Beyond rhetoric and political defiance, one must acknowledge that transatlantic relations have never been really “bad” on the trade side. Officials participating to meetings under the Transatlantic Business Dialogue like to point out that trade between the two entities has kept increasing and that *“Ninety nine per cent of trade relations between the USA and the European Union are totally unproblematic”*. The Robert Schuman Centre for Advanced Studies points out a large number of indicators of trade relations that are particularly green.<sup>5</sup> Trade barriers are already low in industrial products and even for major agricultural exports such as US soybean and EU wine and spirits. The EU is the most important commercial market in the world for corporate America. The service economies of the EU and US are increasingly intertwined.<sup>6</sup> Transatlantic investment accounts for the largest share of Foreign Direct Investment in each entity. Foreign affiliate sales have been increasing considerably. Europe is also a key source of capital for the US economy. Transatlantic regulatory cooperation has made some progress. So has transatlantic research. Overall, transatlantic economic integration has significantly increased over the last decade in spite of recent tensions. And the EU and the US have made far more effective concessions to each other in disputes under the WTO than they did under the GATT.

Recent events might even improve the overall atmosphere for a serene EU-US dialogue. The recent presidential election was seen as a disapproval of the Bush-Cheney administration in Europe, and it has greatly improved the image of the US in the European population. The President elect Obama has been less negative on trade agreements during the final months of the campaign. The concerted attempts to deal with the financial crises have renewed both the idea of a European economic policy, and the cause of transatlantic cooperation. In the EU, Eurosceptics have lost battles, Prime Minister Gordon Brown has shown leadership and the victory of the Tories in the next election no longer

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5) See the Chapter by Hamilton and Quinlan in Andrews et al (2006).

6) See Hamilton and Quinlan (2007).

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seems that certain. This meets a growing sense of common interests between transatlantic powers in a world where emerging countries are demanding their share of influence. The fact that NATO meets less criticisms, and that even a long skeptical country like France seems willing to join is no coincidence. In brief, both the idea of European integration and of transatlantic cooperation seem to be experiencing a revival. However, one can only show limited optimism about transatlantic relations, unless there is a major political will.

## **Background: EU and US trade policies**

### ***The EU trade policy***

The EU trade policy has been characterized by two main orientations. The first one has been multilateralism. The EU strongly played the card of multilateral negotiations. In spite of a rather conservative position in agricultural negotiations, the WTO has been a cornerstone of EU trade policy: For a decade the Commission had implemented a *de facto* moratorium on bilateral agreements. The other major feature of EU's trade policy has been the ambitious set of preferences granted to developing countries. In this area, the EU has long played the card of non-reciprocal preferences, with a strong bias towards Member states' former colonies and Least Developed Countries (LDCs). This has resulted in special tariffs for overseas territories and for African-Caribbean and Pacific countries. The EU Generalized System of Preferences (GSP) covers most products and basically all developing and transition countries are eligible to tariff cuts. However, the depth of these cuts is often very limited, except for LDCs. The "GSP+" which expands the former "GSP Drug" regime provides significant concessions to countries that fight drug trafficking, or implement ambitious policies in the environmental or human rights. In practice, it mostly benefits to Central American and Andean states. The EU uses tariff concessions to support troubled states in attempt to help stabilization (Balkans, Palestinian states). The recent Economic Partnership Agreements replaced the Cotonou agreement with African Caribbean and Pacific countries on a reciprocal basis, even though liberalization is undertaken asymmetrically, with the EC liberalizing at a faster speed. Many different tariffs regimes coexist, but few tariffs are actually specific to a single country and the EU policy has never been genuinely "bilateral". With the exception of a few micro states (Andorra, Faroe islands, Vatican, San Marino), only Turkey is part of a custom union with the EU since 1996.

Nevertheless, the EU policy recently experienced an inflexion. The multiplication of bilateral agreements by the US led the EU to fear that it was losing ground in its trade relations with dynamic economies in Asia and South America. This, with the frustration that some of the issues important for the EU (e.g. geographical indications, environment linked issue) were impossible to discuss satisfactorily in the multilateral arena has led the EU to consider alternatives to multilateralism. Several bilateral trade agreements have been signed in the 2000s. Several bilateral and regional negotiations, as well as discussions engaged by the Commission (i.e. without a formal negotiating mandate from the Council) are also ongoing. The EU sees bilateral agreements as broad association with a cultural and cooperation dimension, opposing a model of “deep integration” compared to the US “shallow integration”.

The bilateral agreements of the EU include a series of association agreements with South Mediterranean countries, which were signed at the end of the 1990s or in the 2000s. Most of them followed pre-existing trade concessions, most of the time non-reciprocal, that dated back from the independence of these countries from colonial powers in the 1950s and the 1960s. The situation is different for a new generation of bilateral agreements including South Africa, Chile and Mexico. In particular, the association agreement with Chile is presented as a reference for future agreements. Not only does it include tariff concessions, investments, public procurement, intellectual property, competition policy provisions, but also a large dimension of trade facilitation, with custom procedures and SPS provisions.

### ***US trade policy***

The United States has constantly pursued the multilateral definition of trade rules. However, recent US administrations have been less shy than the EU in the parallel development of regional and bilateral agreements. The former US Trade Representative Zoellick has been clear on this topic since 2001, arguing that bilateral agreements were not more than alternative to the limited progress in the multilateral area, but also good way to bring more actors to accept multilateral trade liberalization. The recent US administrations promoted the “multiple fronts” and “competition in liberalization” approach at a period when the EU was self imposing a moratorium on bilateral trade deals. As a result, the recent WTO review stresses the fact that the US has mostly liberalized its trade regime on a preferential basis since the previous review (WTO, 2008). The US was involved in a free trade agreement with 14

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countries in early 2008, up from three at the start of the current administration in early 2001. Recently, however, the US Congress slowed down or even opposed attempts from the Bush administration to sign new bilateral deals.

If the US has been more active in bilateral agreements, it has also followed a rather similar approach to the EU one relative to developing countries. The policy towards least developed countries also led to impose zero duties to a large number of goods under specific GSP provisions (although not as broad scoped as the EU Everything but arms initiative). The regular GSP grants tariff concessions on a list of products that is more limited than the EU one, but the depth of the tariff concessions is greater, with all eligible products entering duty free. Unilateral concessions also reach particular regions, i.e. the Caribbean Basin, Andean countries, sub-Saharan Africa. In such cases, the tariffs are zero but the list of products covered is much larger than under the GSP. As a general rule, US tariffs are in general lower than the EU ones, at least in the agricultural sector. However, the US relies more than the EU on anti-dumping measures as a trade instrument.

Annex 1 provides a list of the major free trade agreements and tariff concessions by the EU and the US.

## **Trade**

### ***European Union***

The EU is the world's leading exporter and the second-largest importer of goods. This is due a lot to Germany, who is now the largest exporter in the world, ahead of China. The EU is also the largest importing entity, and the EU27 has a large trade deficit in 2007 (the overall trade deficit of EU27 with the rest of the world was 186 billion euros, which also happens to be roughly the trade deficit with China). The considerable trade surplus of Germany is matched by growing trade deficits in the UK, Spain, France and Greece.

Imports from China have recently exceeded those from the US, traditionally the first source of EU imports. The US now accounts for 12% of EU imports (China for 16% and Russia 11%) and for 21% of EU exports (Switzerland and Russia for 7% and China for 5%). The trade balance with the US remains positive (80 bn euros) while it has become strongly negative with Russia and China.

The EU also remains the world's leading exporter and importer of commercial services. The UK accounts the largest share of EU service exports, followed by Germany and France.

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## United States

North American Free Trade Agreement (NAFTA) countries are the largest outlets for US exports (22% of which go to Canada and 13% to Mexico). The EU is the second largest export market for US products. Canada, traditionally the largest US supplier (16% of US imports) has been overtaken by China in 2007. The trade deficit of the US exceeds 800 billion USD over the past 12 months.

The EU (in particular the UK and Germany), is the largest outlet for US exports of services, amounting to more than half of the US exports, while Asia only represents one fourth and Latin America less than 12 percent. In terms of foreign direct investments, the EU is, for the US, both a source and a destination that far exceeds the rest of the world (in particular the UK and the Netherlands).

**Trade flows** between the EU and the US are presented in Figure 1. Clearly, agricultural trade should be put in perspective with the large bilateral trade in industrial sectors: The sum of all US exports in the 24 statistical chapters corresponding to agricultural, food and fisheries products amounts to only 27 percent of the US exports in one industrial sector (sector 83 in the Harmonized system, i.e. *“nuclear reactors, boilers, machinery and mechanical appliances; parts thereof”*). The figure is only 21 percent for the EU.

In the agricultural sector only (Figure 2), the main EU exports to the US are wine and spirits, by far. US agricultural exports to the EU are mainly fruits, including citrus and fruit juice, oilseeds products (cakes and feed-stuffs) and cereals.

## Transatlantic agreements

Over the recent years, the transatlantic dialogue has brought little except some symbolic agreements and rearguard efforts in conflict resolution. Enhanced cooperation among regulators has not prevented bitter disputes from arising, and the transatlantic political conflicts have burdened the trade relationship (see Andrews et al, 2006 for details). Nevertheless, the official motto of the EU Commission is that *“Transatlantic trade is at the heart of the EU’s bilateral relations, in particular with the aim of meeting global challenges”*. The EU stated goal is to *“encourage the elimination of non-tariff barriers”* with the US. The same kind of wording is used by the US Trade Representative. In practice, some progress has been made on regulatory issues. Recent bilateral agreements between the EU and the US in the trade/market openness area include:

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- Air transport agreement (2007), i.e. the one mentioned above which is seen as particularly frustrating by many Europeans because of its asymmetry.
- Agreement on concessions in the schedules of central and eastern European countries that joined the European Union (2006), i.e. a rather technical revision of the concessions in order to cope with the enlargement and the WTO framework.
- Agreement on trade in wine (2006). It includes some trade facilitation provisions, including a mutual recognition of wine-making practices and the limitation of use of certain “semi-generic” terms to wines originating in the EU for the US market.<sup>7</sup>
- Agreement on the method for calculating the duty on rice imports (2005).
- Agreement on custom cooperation, focusing on the security of sea-container and other shipments (2004)
- Agreement on regulatory compliance of marine equipment, which provides the right to sell in the EU equipments filling US requirements and vice versa (2004).
- Agreement on sanitary measures to protect public and animal health in trade in live animals and animal products, including the progressive recognition of the equivalence of sanitary measures, the recognition of animal health status, the application of regionalization and the improvement of communication and cooperation (2003).

At the June 2005 US-EU Summit, the US administration and the EU Commission issued the *Roadmap for US-EU Regulatory Cooperation* to provide a framework for cooperation on a range of horizontal and sectoral areas.

At the EU-US Summit on 30 April 2007, the EU and US signed the “*Framework for Advancing Transatlantic Economic Integration between the USA and the EU*”. The goal is to foster cooperation and reduce trade and investment barriers through a multi-year work program in such areas as regulatory cooperation, intellectual property rights, investment, secure trade, financial markets, and innovation. This framework included the establishment of the *Transatlantic Economic Council* (TEC). The TEC brings together those Members of the European Commission and US Cabinet Members who carry the political responsibility for closer economic ties. It relies on input from *Transatlantic Business Dialogue*, the *Transatlantic Consumers Dialogue*, and the *Transatlantic*

7) There are some limitations to the use of names such as Burgundy, Chablis, Champagne, Chianti, Claret, Haut, Sauterne, Hock, Madeira, Malaga, Marsala, Moselle, Port, Retsina, Rhine, Sauterne, Sherry, and Tokay in the US but with exceptions for those that were using this term before 2005. Because the agreement does not fully ban the use of EU appellations of origin in the US while allowing terms that were previously prohibited by the EU, the agreement is not particularly well perceived by EU producers.

*Legislators Dialogue* that existed previously. The three dialogues include summit meetings on a regular basis. In particular the *Transatlantic Legislators Dialogue* is the formal response of the European Parliament and the US Congress to the commitment in the New Transatlantic Agenda of 1995, to enhanced parliamentary ties between the European Union and the United States.

The trade component of the Framework agreement is limited. It mainly refers to trade facilitation (standards, exchanges of information, control duplication avoidance) with a strong emphasis on security and safety issues (custom partnership against terrorism, electronic security, etc.) and on common intellectual property rights enforcement. The TEC was established to “*help meeting economic partnership objectives and harmonize regulations*”, in addition to important issues such as finding a common answer to road safety and develop alternatives for animal testing of cosmetics.

These limited initiatives fall short of an ambitious free trade agreement as envisaged by former Commissioner Brittan years earlier. However, the fact that regulatory aspects are emphasized should not be seen as negative. In many cases, transatlantic dispute refer to non tariff issues. In addition, there are signs that an ambitious effort on technical issues aiming at facilitating trade significantly boost trade flows, compared to other agreements where this aspect has not been emphasized.<sup>8</sup> In particular, given the obstacles to trade that are being created by safety/ counterterrorism oriented regulations that are creating significant barriers to transatlantic trade, more integrated inspection/ custom procedures are more than useful. One should also keep in mind that the first meeting of the TEC took place in November 2007, and even if the record does not look particularly impressive, it is a sign of an attempt by US and European authorities to minimize unnecessary regulatory divergences to facilitate transatlantic trade and investment.

## **The EU and US position regarding WTO issues**

### ***The lack of a common strategy***

The US and the EU have considerable common interests regarding the WTO. Cooperation would have helped them pushing forward several strategic common issues. There are areas where cooperation is actually pursued (e.g. the “behind the

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8) This is a preliminary conclusion of the work by Bureau and Jean who compared EU bilateral agreements, in particular the EU-Chile one with ambitious trade facilitation provisions compared to the others. See Bureau and Jean (2008).

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scene” negotiations on non agricultural markets). However, it has not materialized in some important occasions where a joint opportunity was lost (e.g. defending the negotiation on “Singapore issues” during the 2003 Cancun meeting).

There is still lack of a common approach in the Doha negotiation seems while cooperation might help pushing some issues of joint interests. This includes for example a common strategy on food security issues (cooperation on international stocks, on agricultural development strategies for developing countries, etc.) which would help stabilize the food market as well as smooth the tensions and conflict in agricultural negotiations. As it stands now, there is no coordination on the important issue of energy either, including bioenergy, while interactions with the agricultural markets would require a global approach.

### ***Petty disputes with far reaching consequences***

The EU has launched almost as many cases against the US under the WTO (i.e. 23 cases that led to arbitration) as it has launched against all other countries. The US has launched roughly the same number of cases against the EU if one includes cases against individual member states (see Box 1).

The number of issues that were solved under the WTO framework without leading to a formal panel, or even at the preliminary consultation phase, shows that the multilateral system has provided a satisfactory way to solve disagreements. The threat of a WTO challenge also acted as a major driving force for cooperation over standards and regulatory issues.<sup>9</sup> However, some of the EU-US disputes have under the WTO have had a far reaching symbolic value. The US challenge of the EU ban on hormone treated beef (DS26) has participated to turning the European public opinion against the WTO and multilateral rules. The psychological effect has perhaps been as negative as the one of the former GATT ruling on tuna, which had led many environmental organizations, including major US ones such as the Sierra Club, to join the anti-globalization movement in their protests against the dispute settlement body (interestingly, the EU was among the parties against the US in the tuna dispute). On the other hand, the huge financial amount of retaliations allowed by the WTO against the US in the Foreign Sales Corporation case (DS108) has strengthened the feeling that WTO rules could infringe national sovereignty in the US Congress. The fact that the EU has refused to comply to the ruling of the Appellate Body in the hormones cases, has not helped the credibility of the WTO in the US, while the sanctions imposed have been largely used by the antiglobalization propaganda in the EU.

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9) See Bush and Reinhardt (2003).

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### **Agricultural disagreements**

In the Doha Round of negotiations, the positions of the EU and the US have been relatively consistent on non-agricultural goods. In the agricultural negotiations, the game played by both negotiators has been complex. Both the EU and the US proposed concessions that made them righteous while making the other party appear as the “bad guy” to developing countries. The US stressed the need for further cuts in tariffs, to prohibit export subsidies and to limit the number of as a way to single out the EU. The EU stressed the need to cut domestic support, in particular in areas such as cotton, to restrict in kind food aid and export credits. Even in the composition of domestic support, each party tried to push the proposals that were less constraining for its own farm policy and which were often the ones that were more constraining for the other one (de *minimis* support vs blue box, overall trade distorting support vs product specific support ceilings, etc.). However, beyond this somewhat petty game, the global positions of the EU and US in the agricultural negotiations are much closer than they were a few years ago.

At the most recent meetings in August 2008, both the US and the EU had agreed that there would be significant cuts in tariffs, subject to partial exclusions for sensitive products, and major reductions in the allowable level of trade-distorting domestic support. The Doha Round agricultural difficulties now have more to do with the US and the EU on the one hand and transition countries on the other hand. However, the willingness of the US to conclude a final agreement in August is questionable. Had unrealistic demands from India not killed the negotiation, it is unclear whether the US would have accepted an agreement, in particular because of the sensitive issue of cotton. In addition the EU and US are divided on a few serious issues. They include the different conceptions regarding genetically modified organisms (GMOs), as well as standards in general. Some of them correspond to genuine differences in citizens' concerns: GMOs are seen as a major potential hazard in Europe, while bacterial contamination is the number one focus of US consumers' organizations working on food safety. The issue of the protection of geographical indications is also a serious source of divergence. The US is not ready to accept an extension of the protected denominations beyond wine and spirits. They said any attempt to negotiate the issues would be a recipe for disaster. The EU makes a strong point in defending more protection on its indications. While the EU certainly overestimates the economic impacts of protected geographical denominations (in many cases the shift towards private brands would not be a considerable difficulty), the issue has now become a symbol of the one positive thing that could be retrieved from a WTO agreement.

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**Box 1: WTO disputes (arbitrated)**

DS108 – Tax treatment for “Foreign Sales Corporations”

DS136 – Anti-dumping Act of 1916

DS138 – Imposition of countervailing duties on certain hot-rolled lead and bismuth carbon steel products

DS152 – Sections 301-310 of the Trade Act of 1974

DS160 – Section 110(5) of US Copyright Act

DS165 – Import measures on certain products from the EC

DS166 – Definitive safeguard measures on imports of wheat gluten from EC

DS176 – Section 211 Omnibus Appropriations Act

DS186 – Section 337 of the Tariff Act of 1930 and amendments thereto

DS200 – Section 306 of the Trade Act of 1974 and amendments thereto (“carousel”)

DS212 – Countervailing measures concerning certain products from the EC

DS213 – Countervailing duties on certain corrosion-resistant carbon steel flat products from Germany

DS214 – Definitive safeguard measures on imports of steel wire rod and circular welded quality line pipe (panel not yet composed)

DS217 – Continued dumping and subsidy offset Act of 2000

DS225 – Anti-Dumping Duties on Seamless Pipe from Italy (panel not yet composed)

DS248 – Definitive safeguard measures on imports of certain steel products

DS262 – Anti-dumping and countervailing measures on certain steel products

DS294 – Laws, regulations and methodology for calculating dumping margins (‘zeroing’)

DS317 – Measures affecting trade in large civil aircraft

DS319 – Section 776 of the Tariff Act of 1930

DS320 – Continued suspension of obligations in the EC-Hormones Dispute

DS350 – Continued existence and application of zeroing methodology

DS353 – Measures affecting trade in large civil aircraft (second complaint)

The EU brought seven other cases brought to the WTO have not led to the constitution of a panel, or the panel was suspended, or the parties agreed mutually on a solution. These are cases DS38- Cuban liberty and democratic solidarity act, DS39- Tariff increases on products from the European Communities, DS63 Anti-dumping measures on imports of solid urea from the former German Democratic Republic, DS85- measures affecting textiles and apparel products, DS88- Measure affecting government procurement, DS100 – Measures affecting imports of poultry products, DS118- Harbour maintenance tax, DS151- Measures affecting textiles and apparel products (II).

**Cases launched by the US against the EU**

DS26 – Measures affecting meat and meat products (Hormones)

DS27 – Import regime for bananas

DS62 – Customs classification of certain computer equipments

DS174 – Protection of trademarks and geographical indications for agricultural products and foodstuffs

DS223 – Tariff-rate quota on corn gluten feed

DS260 – Provisional safeguards measures on imports of certain steel products

DS291 – Measures affecting the approval and marketing of biotech products (GMOs)

DS315 – European Communities – Selected Customs Matters

DS316 – Measures affecting Trade in large civil aircraft

DS375 – Tariff Treatment of Certain Information Technology Products

The US also launched eight cases that were withdrawn after mutual agreement (DS13- Duties on imports of grain; DS115 – Measures affecting the grant of copyright and neighbouring rights; DS124 Enforcement of intellectual property rights for motion pictures and television programs), and cases where no panel was launched or lapsed (DS16 Regime for the importation sale and distribution of bananas ; DS104 Measures affecting the exportation of processed cheese; DS158 Regime for the importation, sale and distribution of bananas II ; DS172 Measures Relating to the Development of a Flight Management System ; DS347 Measures affecting trade in large civil aircraft II)

The US also launched cases against individual member state, including Belgium (DS 80, DS127, DS210), Denmark (DS83), France (DS131, DS132), Greece (DS125, DS129), Hungary (DS35), Ireland (DS68, DS82, DS130), Portugal (DS37), the UK (DS67), see [www.wto.org](http://www.wto.org) for a description.

**EU-US bilateral disagreements**

Looking at the annual reports and websites in which the EU and the US gather information on their vision of “foreign trade barriers”, a number of problems persist. Some of them are quite technical, and a bit out of proportion with the common geostrategic interests. Some others reflect more fundamental differences in the governance or legal system, or different visions of what consumers’ protection should be.

Appendix 2 summarizes the different issues that are pointed out by both entities. The EU complains mainly about regulatory issues as well as unilateralism of US policies (and non compliance with multilateral rules). It is noteworthy that the EU directly targets many laws that were passed by the US Congress that restrict indirectly trade, but focus primarily on other issues, from cargo security to hurting the Cuban economy. SPS issues are high on

the list of EU complaints. So is intellectual property. These are areas where, beyond technicalities, the regulatory system differs.

EU Standards are also widely criticized by the US. Again, they often refer to legislation that has an indirect effect on trade. For example, the trade distorting effects of various EU Member state policies governing pharmaceuticals and health care products irritates the US because of the limitations for US companies (and the fact that by selling products at a lower price in EU regulated markets, they make the US consumer pay for some of their fixed costs). Intellectual property rules are different and this triggers some criticisms on both sides of the Atlantic.<sup>10</sup> The accusation of subsidies in the aircraft sector are matched by similar accusations by the other party. The US Trade representative complains that US exports of commodities such as corn, beef, poultry, soybeans, pork, and rice are significantly restricted or excluded altogether due to restrictive EU nontariff barriers or regulatory approaches that often do not reflect science based decision making.

It is noteworthy that the annual US report on foreign barriers to trade identifies very few barriers to US exports at the EU level, but many more obstacles to US exports at the Member state level. In some cases, the issues raised by the US Trade Representatives are also raised by EU institutions and refer more to the lack of European integration and the pursuit of national protectionist policies (also detrimental to other EU members) than to a coordinated EU trade policy.

## Recommendations

The trade relations between the EU and the US have no equivalent in the world. During the last decade a common strategy existed on industry and services but noticeable obstacles remain in the field of agriculture. In awareness of these facts we could formulate the following recommendations for the transatlantic market and WTO-related issues.

### WTO

Both the European Union and the United States should affirm and reiterate their commitment to the Doha Round of multilateral trade negotiations at the WTO. Given the interconnectedness of the global economy and the current worldwide economic downturn, a successful and timely conclusion of the Doha

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10) Josling (2006), however, sees positive developments in the agricultural area, including that of geographical indications.

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Round is more critical now than ever. The transatlantic partners should formulate and articulate a common strategy to foster the trade openness agenda at the multilateral level in order to avoid a downward spiral of protectionist policies. The economic threat comes not only from WTO-inconsistent actions but from the considerable room for protectionist backsliding within existing multilateral commitments and disciplines. The latest research has shown that some \$1 trillion in annual trade is potentially at stake, living on borrowed time in the gap between bound and applied tariff rates. Much of this “unsecured” trade is concentrated in sensitive and politically-connected industries such as the automotive and electronics sectors, where bailouts and other actions could easily trigger retaliatory responses from trading partners. Further delaying a Doha Round agreement will not only weaken the credibility of the WTO as an institution, but will preserve the considerable leeway of WTO Members to employ trade policies that are detrimental to the recovery of the global economy. The European Union and United States should make good use of the EU-US summit to prepare a common strategic approach to concluding the WTO negotiations in a timely fashion.

The cumbersome decision-making process at the WTO needs to be addressed, and as major stakeholders in the world trading system the European Union and United States should lead the way on institutional reform at the WTO

### ***Building block in multilateral negotiations***

In bilateral trade negotiations, the EU and the US should develop a cooperative framework consistent with the idea of a building block in multilateral negotiations. Even though there are many issues where bilateral dialogue and cooperation is useful, a transatlantic free trade agreement has been shown to be suboptimal for both entities compared to a multilateral agreement.

In a situation in which multilateral trade negotiations are stalled, the EU and US could provide joint leadership on exploring alternative paths to trade liberalization within the realm of WTO negotiations, perhaps via ambitious tariff reductions for specific industrial sectors in plurilateral agreements. Such plurilateral WTO agreements would allow the EU and the U.S. to make progress in areas of offensive economic interests without a priori excluding other WTO Members which are not ready to make respective commitments at this point.

Among the ways to move jointly towards an “open regionalism”, the EU and US should work at making consistent their trade preferences with third countries. Similar rules for accessing the EU and US markets would help consistency of regionalism and multilateralism. Particular efforts for harmonizing

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trade preferences towards African countries and Latin American countries would serve joint interests. Indeed, this would contribute to a higher degree of development and stabilization.

### ***A joint strategy for trade related security***

The EU and US should develop an integrated joint strategy on common externalities. This includes a joint strategy for trade related security (terrorism as well as pests and invasive species), but the current dialogue should lead to more operational decisions. It should be extended to a common approach on global issues such as goods inspections but also epidemics prevention (e.g. avian flu) and the tackling of food security at a world level, for example by defining a joint approach to food stocks or stabilizing mechanisms for the world price of staple foods.

### ***Standards***

Most EU-US trade disputes refer to standards. The transatlantic dialogue should (and to some extent does) target particularly the issue of technical barriers and standards. Both the EU and the US have a strategic interest to harmonize policies and regulations. Given the economic size of the EU and US and the importance of their foreign trade, common rules and regulations would set international standards.

Given the large differences in the EU and US approaches on these issues and the huge costs of setting common standards, mutual recognition seems the only way forward. The various bodies in charge of the transatlantic dialogue dealing with technical issues need to be backed by a more obvious political willingness to make progress. Issues that show lack of progress in spite of being high in the TEC agenda (e.g. poultry standards) must be tackled upstream, i.e. by reinforcing the dialogue between safety authorities on both sides of the Atlantic and by strengthening common research programs.

It is tempting to solve the differences in EU and US approaches on standards by taking the case to the WTO, which is indeed the only body that is in the position of achieving practical decisions. However, both the EU and US should be cautious about the risk of stretching the WTO area of competence up to a dangerous point. Issues such as hormones, chemical substances or even animal welfare go well beyond trade. Tackling issues such as GMOs or carbon taxation through WTO litigation may bring responses but at the cost of the reject of the whole organization by citizens. Again, consensus building is

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necessary. Public commissions including non partisan scientists which advise jointly the administrations of both parties in a transparent way might help advocating convergence in the citizens' concerns. This would be in line with some of the requests of the Transatlantic Consumer Dialogue.

Negotiating transatlantic agreements on regulation and non-tariff barriers to trade on a bilateral level is both more legitimate and feasible. A forthcoming European Commission study on the economic potential of eliminating regulatory barriers to trade with the United States should provide a good basis for focusing attention on the areas of greatest importance. A similar exercise should be contemplated on the American side, identifying economically relevant regulatory barriers to trade with the European Union. An approach similar to that employed by the European Union for the Trade and Investment Enhancement Agreement (TIEA) with Canada — i.e. identification sector-by-sector and possibly even product-by-product of the most important issues to address — is worth considering as a possible model for a reasonably ambitious non-FTA agenda with the United States. Bilateral interaction could also build a higher-profile Transatlantic Economic Council (TEC) to promote better-quality regulatory dialogue and give more political guidance to regulators to anticipate or minimize problems before they grow into significant bones of contention.

### ***Building domestic support for trade***

According to surveys of public opinion, free trade policies are being inhibited by a public backlash on both sides of the Atlantic, one that is perhaps more severe in the United States but is also evident in a number of European countries. Trade policies need to be better prepared politically and more effectively communicated on the domestic level on both sides of the Atlantic, particularly in times of economic difficulty when struggling workers and producers are resistant to the idea of more intense world competition. Public debate in both the United States and European Union would benefit from both a better articulation by policymakers of the benefits of open trade to consumers and businesses and an improved use of existing policy instruments to address public concerns — e.g. US Trade Adjustment Assistance programs and the EU Globalization Adjustment Fund. In order to rebuild political support for more open trade, US and European policymakers will have to disperse opposition by means of public education efforts which place an emphasis on available instruments to deal with necessary adjustments of specific sectors of the economy.

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## APPENDIX 1

### EU bilateral and regional agreements with a tariff reduction component

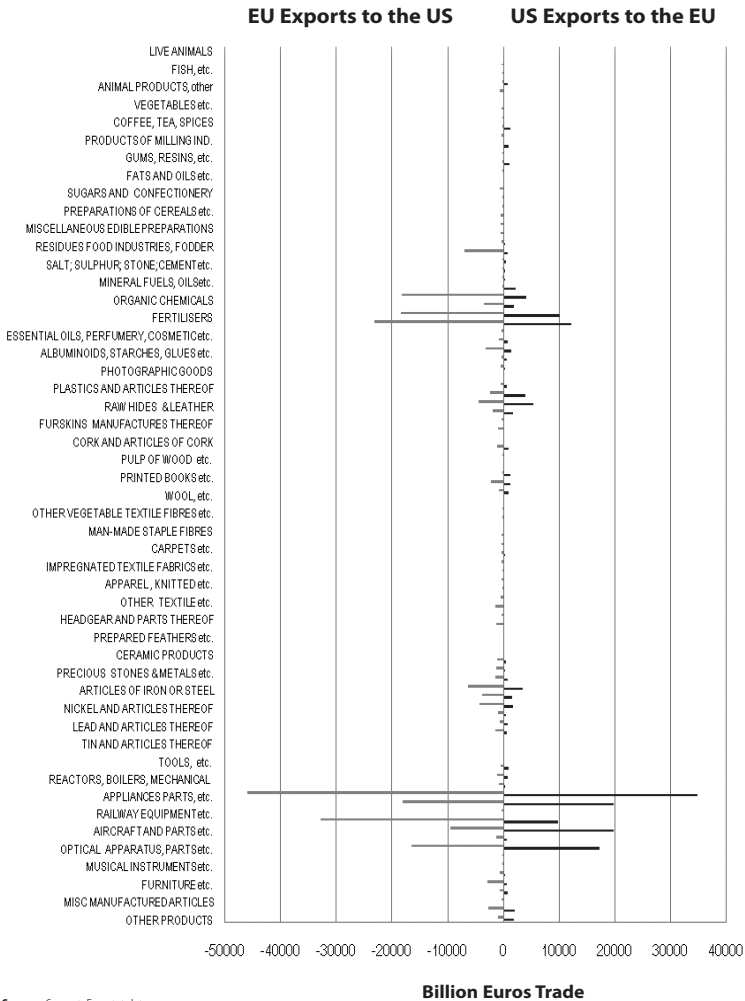
**Table A1: The EU Agreements including tariff concessions**

Type of preferences	Country
EU Custom Unions	<ul style="list-style-type: none"> <li>• San Marino; Vatican ; Andorra ; Feroe Islands,</li> <li>• Turkey*</li> </ul>
EU Free Trade Agreements	<ul style="list-style-type: none"> <li>• Norway, Iceland and Lichtenstein under the Espace Economique Européen</li> <li>• Trade agreement with Switzerland and Licthenstein</li> <li>• Ceuta and Mellila</li> <li>• Interim trade agreement with Croatia</li> <li>• Association agreement with Former Yougoslavian Republic of Macedonia (2004)</li> <li>• Albania</li> <li>• Montenegro</li> <li>• Bosnia Herzegova</li> <li>• Agreements under the Barcelona process</li> <li>- Algeria</li> <li>- Egypt</li> <li>- Lebanon</li> <li>- Jordan</li> <li>- Tunisia</li> <li>- Morocco</li> <li>- Israël</li> <li>- Palestinian authority</li> <li>- Syria</li> <li>• Mexico</li> <li>• South Africa</li> <li>• Chile</li> </ul>
Other concessions	<ul style="list-style-type: none"> <li>• GSP, including the Everything But Arms component for LDCs and GSP+ (mainly Central America and Andean countries).</li> <li>• Cotonou agreement with ACP countries</li> <li>• Overseas territories</li> </ul>

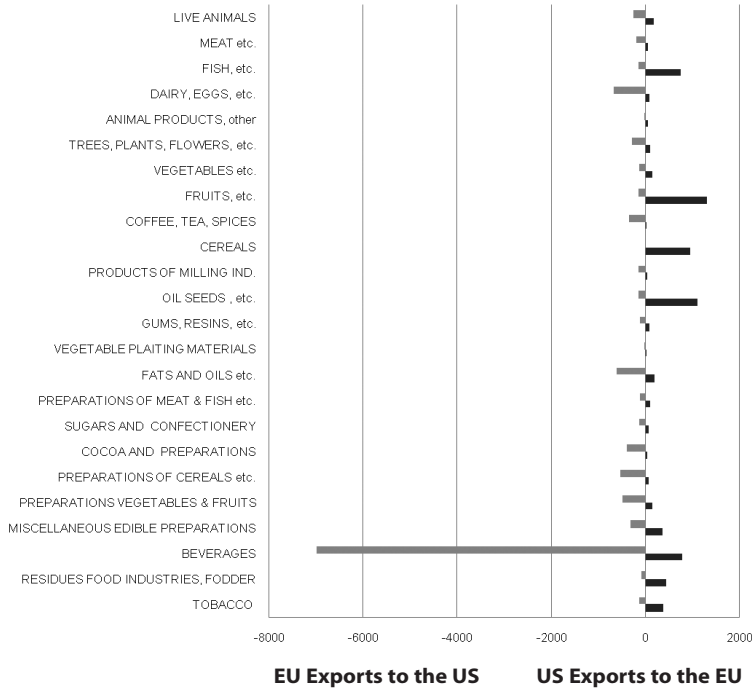
**Table A2: US bilateral and regional agreements with a tariff reduction component**

Type of preferences	Country
US Free Trade Agreements	<ul style="list-style-type: none"> <li>• Australia</li> <li>• Bahrain</li> <li>• Dominican Republic-Central America-United States FTA (CAFTA-DR) Includes: Costa Rica*, Dominican Republic, El Salvador, Guatemala, Honduras and Nicaragua</li> <li>• Chile</li> <li>• Israel</li> <li>• Jordan</li> <li>• Morocco</li> <li>• North American Free Trade Agreement (NAFTA)</li> <li>• Oman</li> <li>• Peru</li> <li>• Singapore</li> </ul>
Other concessions (non reciprocal)	<ul style="list-style-type: none"> <li>• GSP, including special provisions for LDCs</li> <li>• ATPDEA with Andean countries</li> <li>• CBERA with Caribbean countries</li> <li>• AGOA with subSaharan African countries</li> <li>• Palestinian authority</li> <li>• Overseas territories</li> </ul>

## Transatlantic Trade by HS2 sector, 2007, Mio Euros



Transatlantic Agricultural Trade by HS2 sector, 2007, Mio Euros



Source: Comext, Eurostat data

## APPENDIX 2

### A2.1. EU complaints about US trade barriers

#### *Extraterritoriality and unilateralism*

The EU sees several US laws which do not conform to international trade law as causing problems for EU companies. This is the case of the 1996 Helms Burton Act, the Iran-Libya Sanctions Act (ILSA) as well as the 1996 “Blocking Statute” or the 2000 Iran Non-Proliferation Act, and to some extent the Patriot Act, that allows the US administration to apply its own sanctions to exports which are subject to EU Member State and EU export control regimes, beyond those agreed multilaterally. The 1974 Trade Act authorises the US Government to enforce US rights under any trade agreement in a way that is seen by the EU as based on exclusive US assessments and violating multilaterally agreed rules.

Several pieces of US legislation also provide scope for the business sector to call for unilateral protectionism. The US industry can petition for the restriction of imports from third countries on the grounds of national security even in the absence of compelling evidence (section 232 of the Trade Expansion Act of 1962), which makes this law used for pure protectionist purposes. The chemicals sector is affected by import restrictions for certain drug precursor chemicals. Similarly, the Jones Act uses national security reasons to prohibit the use of foreign vessels.

According to the EU, public procurement restrictions under the Buy America Act cover a significant proportion of public purchasing in the US, in particular in sectors such as those covered by the Department of Transportation. The Small Business Act also discriminates against foreign suppliers. The Berry amendment enlarges the mandatory US sourcing under the Defense Appropriations Act to components and materials that are not particularly strategic. This is seen as a particularly uncooperative approach from NATO member countries, in particular the United Kingdom whose domestic defence market is particularly open to US suppliers.

### **Foreign investment limitations**

The EU Commission complains that several US laws restrain foreign investment or ownership of business. This is the case of the Foreign Investment and National Security Act and subsequent legislation referring to the national security issues without a clear definition of this terms, which is used quite extensively to limit investment and trade in the shipping, energy and communications sectors. In the communication sector U.S. law enforcement agencies have imposed strict corporate governance requirements on companies seeking Federal Communications Commission that favour US companies. The EU also sees restrictions on the ownership of companies in the coastal and domestic shipping sector, in the offshore drilling sector and in the fishing sector (fishing vessel-owning entities must be at least 75% owned and controlled by U.S. citizens in order to receive a fishing permit), and in the attribution of licences from the Federal Energy Regulatory Commission.

### **US standards and certification**

The EU sees the US unilateral measures regarding cargo safety<sup>11</sup> as setting out requirements such as standards for container security devices and/or smart box technology that have the potential to hamper the possibility for EU trade to compete fairly with their U.S. competitors and to excessively burden the EU export supply chain. The EU sees as a significant problem the low level of implementation and use of standards set by international standardisation bodies in the US. This combines with a number of complex US regulatory systems that represent a significant burden for EU companies.<sup>12</sup> EU companies also complain about regional standards within the US, including those of regional and local authorities and those implemented by the private sector (standards for product safety imposed by insurance companies). In the food area, a number of states have banned the commercialisation and production of foie gras, in spite of the absence of legal status for such bans under international trade rules. There are also differences in standards and food safety requirements that are seen as trade obstacles, such as the standards for Grade-A milk products as well as provisions for organic products under the National Organic Program of 2001.<sup>13</sup>

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11) e.g. the 2002 Container Security Initiative, topped by the 2006 Safety and Accountability for Every Port Act, the 2007 "9/11 Commission Recommendations" and its objective to scan 100% of cargo by 2012.

12) e.g. the burdensome US pharmaceutical approval system, the US Automobile labelling Act, the documentary and labelling requirement for textiles and restrictions regarding the distribution of wines and spirits.

13) The EU and the US have entered into bilateral negotiations with a view to mutually recognising the equivalency of the organic production systems applied by each Party. However, the talks seem to be at a standstill since May 2004.

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The EU complains about the lack of recognition of EU origin by US customs that do not accept European certificates of origin. The EU also complain about various pieces of border control, including import inspection fees, country of origin labelling, and mandatory certification of 'high risk foods'. The US Merchandise Processing Fee is seen as an extra duty by EU exporters. The fact that imported wine is subject to the "galloneage tax" while most US producers are producers are eligible for a tax credit that offsets the consequences of such a tax, is also seen as a distortion of competition. The 2008 Farm Bill provisions regarding a levy on dairy imports to finance dairy promotion and research activities is also seen as a distortion of competition with significant potential consequences for EU exporters.

The EU also claims that various pieces of US legislation, restrict trade in seafood as foreign-built vessels are not eligible to receive a fishing licence.<sup>14</sup> Other complains deal with the US rules of origin for textiles which affect European exports of textiles containing cotton and wool, and the fact that agricultural commodities regulated under the Federal Marketing Orders are prohibited unless they are in compliance with particular characteristics set in the marketing order.

## **SPS**

The US is also accused of unilateralism in the veterinary area. Its own procedures regarding import control do not match those commonly agreed in the multilateral arena, i.e. the standards of the Office International des Epizooties (spongiform encephalopathy). In addition, when the US follows international standards, the EU complain that the US uses complex and lengthy rulemaking procedures, taking for example several years longer than the re-acquaintance of an official disease-free status under the global rules of the OIE. In the phytosanitary area, things are quite similar, given that the US requirements of pest risk analysis (on a genus by genus approach) can lead to several years, or even decades, of administrative approval even when other products with the same risks coming from the same production area are permitted. Horticulture products also face burdensome specific approval procedures.

The Veterinary Equivalence Agreement, signed on 20 July 1999, provides a framework but the EU Commission complains that in practice this has led to little progress from the US administration. The Commission quotes the

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14) In the fisheries sector, the EU still claims that the US Marine Mammal Protection Act, de facto bans exports of Spanish tuna but tthe EU has only recently ratified the Antigua Inter-American Tropical Tuna Commission, which is part of the conditions for trading tropical tuna in the US

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case of imports of molluscs as an example of the slow progress in regulatory cooperation, given that in spite of scientific evidence, the lack of recognition of EU testing methods by the US *de facto* prevents European producers from exporting oysters and mussels to the US. Imports into the US of uncooked meat products (sausage, ham and bacon) have been subject to a long-standing prohibition. US import regulations were modified to permit the import of Parma ham, Serrano hams, Iberian hams, Iberian pork shoulders and Iberian pork loins. However, US still prohibits other types of uncooked meat products (e.g. San Daniele ham, German sausage, Ardennes ham).

### ***US Subsidies***

The various US agricultural subsidies have been criticized by the EU, which argue that its own effort for fully decoupling farm support from production has not been matched by a similar effort in the US since the 2002 farm bill that reverted some of the decoupling orientation of the 1997 FAIR act. The EU has launched consultations under the WTO against US subsidies for biodiesel through tax credits, which are seen to have contributed significantly to the huge growth of EU imports of biodiesel (a tenfold increase between 2006 and 2007, US imports now accounting for 20% of the EU market share).

In the area of aircrafts, the Boeing/Airbus battle has led the EU to take the case to the WTO, arguing that combined subsidies and tax breaks from the State of Washington, the State of Kansas, NASA and DoD amount to more than 20 billion dollars.

### ***Intellectual property issues***

The EU claims that the unilateral use of its own patent system by the US (while the rest of the world now follows a “first to file” rule) creates problems for EU companies, especially considering the high U.S. litigation costs in patent matters. The US law is also particularly broad regarding the patentability of software and business methods, and the EU claims that US provisions concerning plant variety such as the Plant Patent Act seriously impede trade in breeding material for ornamental plants.

The EU Commission claims that despite losing a WTO case, the U.S. has not yet brought its Copyright Act into compliance with the WTO Agreement. In spite of the bilateral wine agreement, US producers continue to use (“misuse” according to the Commission) EU geographical indications on food and drink, and to consider a number of European wine names as ‘semi-generics’ (on the

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other hand, the US complains that the 2006 Agreement did not provide for the automatic acceptance of new wine making practices and did not include a permanent solution for the use of traditional terms).

The Omnibus Appropriations Act of 1998 prohibits the registration of a trademark that is identical to a trademark previously owned by a confiscated Cuban entity, while being illegal under the WTO rules, as confirmed by the Appellate Body.

## **Services**

In its 2007 report on US Trade barriers, the EC Commission stresses many issues relative to services. In the telecommunication sector, EU firms face restrictions to investment, lengthy proceedings, conditionality of market access and reciprocity-based procedures due to the Communication Act and subsequent legislation. The FCC policy led to exclude an entire digital television European technology (DVB-T) from accessing the US market because of exclusivity given to a US standard. Further difficulties accessing the U.S. market are encountered by EU based satellitecommunications operators. While discriminatory issues surrounding the Sarbanes Oaxley Act are in the process of being solved, the EU financial sector accuses US laws of obstruction to its development in the US market in particular because of several regulations of the US Securities and Exchange Commission for foreign securities firms that result in barriers for the establishment of branches or subsidiaries, as well as legislations regarding the treatment of EU global custodians. The EU Commission also complains about several laws in the transportation sector. This includes the “national flag” provisions in the airline industry, the subsidies to US airlines. It also includes the prohibition of foreign-built marine vessels from engaging in coastal trade, and the requirements that U.S. Government-owned or financed cargoes be shipped on US flagged ships.

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## **A2.2. EU complaints about US trade barriers**

### ***Customs Administration***

The US Trade representative complains that the EU does not administer its laws through a single customs administration, and that dealing with a separate agency responsible for the administration of EU customs law in each of the EU's 27 Member States is costly for exporters. There is no EU rule requiring the customs agency in one Member State to follow the decisions of the customs agency in another Member State with respect to materially identical issues, and the arbitration bodies (from Customs Code Committee to the Court of Justice of the European Communities) are either ineffective or can take years before taking action.

### ***Bananas***

In June 2007, the United States filed another request for the establishment of a panel challenging the current EC banana regime.

### ***Pharmaceuticals***

The main issue for the US is that national social security systems control the price of medicines, so that this limits the innovation rent to pharmaceutical companies, in particular the US ones. In practice, these companies sell their products in EU markets at lower prices than in the US, so that the system works like if US consumers funded some of the fixed costs. In addition the US Trade representative mentions some burdensome approval procedures for new drugs in some member states.

### ***Standards***

US exporters of manufactured and agricultural products complain about EU regulatory measures that act as impediments to market access, citing inadequate transparency in the development and implementation of EU regulations, insufficient economic and scientific analysis to support good regulatory decisions, and a lack of meaningful opportunity for non-EU stakeholders to provide input on draft EU regulations and standards as well as duplicative testing and product redesign. Examples that are pointed out include the “unnecessary, redundant

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health and safety assessments” that prevent US exports to the EU of poultry washed with anti-microbial treatments. Another sensitive issue is the *de facto* EU moratorium on approving genetically modified new products. The zero tolerance policy maintained by the EU make it difficult for most US rice exporters to ship rice to the EU. The EU regulations on mandatory traceability and labeling for all biotechnology and downstream products are seen as a trade barrier by US exporters since the requirements are costly and require a specific supply chain, with a standardized system to maintain information about biotechnology products and to identify the operator by whom and to whom it was transferred for a period of 5 years from each transaction.

The US is particularly voiciferous regarding Member State prohibitions on products already approved by the EU for marketing within the EU. Austrian law bans most cultivation of genetically modified crops, closing the market for US biotech companies. France has invoked a safeguard clause for a particular type of genetically modified maize, that leads to serious disruption of imports from the US. Cyprus, Germany, Greece, also have national restrictions to genetically modified agricultural products, and the fact that new member states such as the Czech Republic and Romania have adopted the *acquis communautaire* in this area has reduced the sales of US bioengineered materials in these countries.

US chemical companies are also worried (as much as the EU ones) about the new EU regulatory regime known as Registration, Evaluation, and Authorization of Chemicals (REACH).

The EU ban of beef produced with hormonal substances that promote , which has effectively prohibited the export to the EU of beef from cattle raised in the United States, is seen particularly negatively by the US administration because it is the only formal case where a country WTO ruling, confirmed by the Appellate body and subsequent arbitration has not amended its legislation and preferred to face sanctions authorized by the WTO. These sanctions (the US applies 100 percent duties on imports from the EU valued at \$116.8 million) are themselves a bone of contention because the EU finds that the way the US implements them (the carousel method) is itself in violation of WTO rules. The USTR reports that US exports of pet food are affected by the 2004 EU regulation on animal by-products not fit for human consumption.

The EU regulations set maximum limits on mycotoxins for a variety of foodstuffs, including cereals, fruit and nuts, that are lower than those set by the US authorities in some cases, especially for almonds, peanuts and wheat. As a result, U.S. almond shipments are sometimes rejected at EU ports because import controls have found excessive levels of aflatoxin.

### **Government procurement**

The USTR report on foreign trade barriers does not find considerable obstacles to the access of US suppliers to EU public markets, but raises a number of issues at the Member state level. These issues mainly deal with the defense/military sector. In a number of countries, transparency of public contracts and statistics is also questioned.

### **Public subsidies**

The US administration highlights the support provided to Airbus in the construction of aircraft, as well as member states support to Airbus suppliers (Belgium, France, Spain, UK) and public support to aircraft engine makers (UK). Subsidies for canned fruits, in particular in the peach industry, are also a concern for the USTR.

### **Intellectual property**

The US administration criticizes the EU patent system, and the fees associated with the filing, issuance, and maintenance of a patent over its life span, that exceed those in the United States. However, as far as intellectual property is concerned, the US administration mostly criticizes EU Member states legislations that are seen as lenient regarding the protection of intellectual property in the music and entertainment industry. Relatively minor intellectual property issues are also raised in the pharmaceutical sector in some Member states.

The EU Geographical indications are still a concern for the US administration in spite of the WTO dispute settlement and the bilateral agreement on wine. Such indications are seen by the USTR as a way to discriminate against imports and inconsistent with multilateral rules.

National legislation in the broadcasting sector, such as the French and Italian ones that impose a quota of EU originating programs is widely criticized by the US entertainment industry.

In spite of progressive liberalization, the postal and telecommunication market is still not fully open to competition in several EU Member states. National regulations in the banking and financial services sector are also criticized by the USTR as discriminating against foreign investors.

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# Energy Security and Climate Change

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## Energy Security – Current State of Affairs

Energy security is a transatlantic concern that can only be improved with joint action. The issue is complex with multiple stakeholders; states alone are not the only actors. Within Europe, the fundamental priorities for energy security are the same, but the approach differs within the continent. Western European member states have greater access to multiple sources of energy imports than do the newer EU member states. Therefore, energy security in Western Europe is more likely coupled with climate change, whereas in Central and Eastern Europe (CEE) it overlaps with neighborhood policy and the need to diversify the sources of energy imports. The U.S., on the other hand, is primarily concerned with reducing dependence on oil imports and further developing renewable technologies. At the same time, Washington is concerned about the resurgence of Russia in Europe, its monopolization of energy imports and control of energy infrastructure in some member states, the implications for transatlantic security of Russia's energy policies, and even its growing influence on the energy decisions within the EU and in some member states.

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European long-term energy security is threatened by its increasing dependence not only on Russian gas and oil supplies but also by the non-transparent commercial deals that are part of Russia's energy trade.<sup>15</sup> This pressure is felt especially in the CEE states that are closer in proximity to Russia and are more dependent on Russia's energy supplies. With increasing European demand for energy, Russian companies have sought to monopolize supply routes and infrastructure leading west. Acting in their self-interest, many European countries have signed bilateral deals with Russian-state-owned companies, thus undermining comprehensive EU initiatives to diversify energy supplies, playing into Russia's strategy to divide Europe and dominate its energy portfolio through which growing political influence can be exerted. The leading EU countries have refused to give the EU Commission the power to enforce a uniform policy. Nor has the EU compelled Russia to carry out its commitments under the Energy Charter Treaty. The CEE states are feeling particularly squeezed as their dependence on oil and gas from Russia is on the rise while the EU has mandated that their nuclear power plants close.

To further complicate matters, Russian gas supplies are decreasing. It is predicted that in the next five years Russian energy supplies will plateau and will then face a shortfall. Russia's output (including Central Asian resources) will not meet growing supply demands and commitments to European countries, its own internal market, Russian industrial customers, and emerging Far East consumers as Russia tries to diversify its customer base. As supplies decline, European states will increasingly compete with one another to secure energy. This trend is already visible in the EU's lack of commitment to pan-European energy projects.

At the center of this debate is the EU-sponsored Nabucco pipeline project where the objective is to decrease European dependence on Russia by bringing Caspian gas to Europe and bypassing Russia. To undermine the Nabucco project, Moscow launched the South Stream pipeline initiative and recruited several CEE and West European countries to sign contracts underscoring the unreliability and lack of commitment to Nabucco. South Stream was aimed at complementing the Nord Stream pipeline by further increasing Gazprom's monopoly of the EU energy market. South Stream was given a boost by Austria's sale of half of its large gas trading center to Gazprom and by support by some high-ranking EU officials. In the oil sector, Russia has secured supplies from Central Asian countries through various contracts initiated by the

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1) Europe faces a growing dependence on Russian energy as North Sea oil production declines, and gas production will increase only marginally. Supplies of gas and oil are decreasing in both Europe and the United States, increasing their dependence on imports of oil from an increasingly small number of oil-producing countries. Further, there is an obvious link between oil usage and climate change.

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Rosneft company, whose aim is to become the leading provider to Europe. As Russia strikes deals with individual EU member states, the need for a common EU energy policy with solid commitments grows ever more urgent.

Further, Russia has been creating monopolies within Europe's energy sectors. Russian companies have purchased and invested in various distribution facilities in CEE to create a monopoly over transit pipelines toward Europe. The overall strategy is succeeding, as Gazprom and Rosneft have acquired oil and gas producing and storage capabilities in several EU member states. In fact, many western companies in Europe are owned by Gazprom and serve as "Trojan horses" gaining access to European gas markets and eliminating competitors through various takeovers. By operating through European subsidiaries, Russian gas and oil companies operate under the radar of EU judicial institutions and operate without constraint, while EU and U.S. companies face tough challenges and constant harassment in the Russian energy market. The EU lacks a reciprocal policy for dealing with Gazprom and Rosneft. As long as the Russian companies operate opaquely in Europe, they will be able to monopolize the energy markets of EU member states. In fact, the failure of the EU to enforce anti-trust and pro-competition rules in Article 82 of the EC Treaty leaves the monopolies of Transneft and Gazprom in an overly strong position in pricing oil and gas exports to EU member states.

The EU's recent recognition of the need to spend additional money on energy connectors is laudable, but more of the funding should be used in those states of Central and Eastern Europe who have fewer import options than do those in Western Europe. This would increase energy security throughout the EU, and help counter disruptions in oil and gas shipments that are channeled through Russia's monopoly exporters, even if the source is in Central Asia.

Both the U.S. and EU must find reliable partners for securing medium-to-long term supplies. Further, the U.S. and EU will need to work in tandem to deal with companies or countries whose agendas are to gain control of the energy market through illegal and opaque transactions and to use this as leverage in foreign policy. A transatlantic approach would carry more weight than the U.S. or EU acting alone. The authors of this paper recommend the formation of a standing U.S.-EU body for energy security.

## **Impact of the Global Debate on Climate Change**

The urgent debate on Europe's energy security is a key component of the debate on climate change as tackling climate change effectively can help to considerably allay energy security concerns. As Europe and the U.S. seek to

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diversify energy sources, concerns are mounting not only about the shrinking supplies of fossil fuels, but about their impact on the global environment. The world's leading economies produce about 80 percent of the world's greenhouse gases (the U.S. and EU produce about 40 percent).<sup>16</sup> There is a growing fear among many developing nations that the more developed and richer states will place the burden to reduce emissions on poorer countries seeking to develop. This perception will worsen and exacerbate global tensions should the developed nations fail to play an effective global role in reducing global warming.

Brussels has been leading efforts to enact groundbreaking EU-wide policies to reduce carbon emissions, foster energy efficiency, and promote cleaner energy technologies. Washington has lagged behind these efforts despite the U.S. private sector's lead in developing renewable technologies. Though the U.S. withdrew its signature from the Kyoto Protocol on climate change during President George W. Bush's first term in office, drawing sharp criticism from the EU, many positive activities have taken place.

Toward the end of the Bush presidency the U.S. signaled a change in its position about global warming. In December 2007 Bush signed the Energy Independence and Security Act (EISA), which included a Renewable Fuels Mandate, raising the usage of renewable fuels by 500 percent by the year 2022.<sup>17</sup> In 2008, the U.S. put forward legislation that would stop the growth of U.S. greenhouse emissions by 2025. Additionally, the Bush administration initiated the Major Economies Meeting (MEM), involving regular discussions between the leading global greenhouse gas emitters (China, India, the G8, and the EU), as well as Mexico, Indonesia, Australia, South Korea, and Brazil. The Obama Administration, which took office in January 2009, has promised to invest heavily to develop renewable energy sources. More than USD 70 billion in renewable energy measures were signed into law in February 2009 as part of the American Recovery and Reinvestment Act. Time will tell if the recent U.S. efforts will help or will fall short of what is urgently required.

At the end of 2009 the United Nations Climate Change Conference will be held in Denmark where the successor treaty to the Kyoto Protocol will be negotiated.<sup>18</sup> There are great expectations that the Obama administration, the country that is the largest greenhouse gas emissions producer, will assume a leading role in climate change policies. The U.S. and the EU must work together

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16) Leigh Phillips, "EU Lukewarm on Bush Climate Plan," *Euroobserver*, April 18, 2008.

17) Press Release, "Fact Sheet: Increasing Our Energy Security and Confronting Climate Change Through Investment in Renewable Technologies" The White House,

18) The Kyoto protocol was signed in 1997 in an effort to stabilize greenhouse gas emissions. The treaty came into force in 2005. It has been ratified by 175 states. The U.S. has not been among the ratifiers.

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to address climate change through joint policies, knowledge, and technologies and would benefit from preparing jointly for the negotiations in Copenhagen this year. EU-U.S. efforts can be a powerful force against global warming, while transatlantic disagreements will only provide other polluting nations such as China, India, Brazil, and Russia with justification for maintaining the status quo. In addition to joint policies and coordinated strategies in dealing with energy monopolies and transparency in the oil and gas sectors, collaborative efforts are needed in the area of sustainable and renewable energies.

## **Sustainable (Renewable) Energy Debate**

While there is no single solution that can guarantee energy security, renewable energy resources have five major advantages: they are free (after initial investments and apart from maintenance costs); are available on a national basis; provide opportunity for investment and job creation; are sustainable; and they contribute zero pollution. According to the United Nations Environmental Program (UNEP), new funding in the sustainable energy sector rose to over USD 148 billion in 2007, up 60 percent from 2006.<sup>19</sup> Sustainable energy companies accounted for 19 percent of all new capital raised by the energy sector on global stock markets in 2007, flowing mostly into Europe and followed by the U.S. At the same time, investments in China, India, and Brazil grew from 12 percent in 2004 to 22 percent in 2007, representing an increase of 14 times in absolute terms from USD 1.8 billion to USD 28 billion.<sup>20</sup>

Oil is the primary source of energy for air and sea transport, and a significant percentage of land transport, and oil and gas are fundamental for heating much of Europe. But electricity from renewable resources and nuclear energy can, over time, meet much of the energy demands from households, industry, commerce, public services, public transport, rail, and communications. In addition, substitution of electricity from non-oil and gas powered sources will significantly reduce the demand for hydrocarbons, prolonging their availability and lowering their cost. Less concern about future oil and gas supplies will also curtail speculation about these resources that some have argued drive prices to record highs.

Wind energy has attracted the greatest investment globally out of all non-fossil fuel based technology.<sup>21</sup> In Europe, wind capacity additions accounted for 40 percent of new power capacity in 2007; in the U.S. this figure was

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19) United Nations Environmental Programme, "Global Trends in Sustainable Energy Investment 2008."

20) Ibid.

21) Ibid.

30 percent. Also in 2007, solar energy attracted venture capital and private equity investment totaling USD 3.7 billion. Further, biomass and waste to energy technologies grew at a rate of 432% last year. Venture capital and private equity investment in biofuels fell by almost one third in 2007 to USD 2.1 billion due to high feedstock costs and falling ethanol prices. Investments have shifted to Brazil, India and China.<sup>22</sup> Coal fired power plants remain a primary source of electricity and a major contributor to global warming, but developing clean coal and carbon capture technologies in addition to increased electricity production by carbon-free renewables will significantly reduce carbon emissions.

## Contested Energy Sources

Within the energy security and climate change debate are two more controversial energy sources that have received attention of late. Agro or biofuels have become the most publicized and controversial energy source. The U.S. has quintupled its production of ethanol (ethyl alcohol) over the past ten years. The EU has had similarly ambitious targets, adopting a Biofuels Directive in 2003 for promoting biofuels and other renewable energies for use in transport and setting a target of 5.75% market share for biofuels for 2010. In the spring of 2007 the EU adopted a more ambitious renewable fuels target, advocating that each EU member state meet a 10 percent target for biofuel production out of transportation fuels by 2020.<sup>23</sup> Recently, however, the EU and several national governments have stated that the EU's biofuels objective was overly optimistic and should be reduced.

Although there is hope that agro or biofuels can help to reduce fossil fuel consumption and slow the warming of our planet, scientists and policymakers are learning that these harm the environment in the longer term. For example, to make up the damage from carbon emissions that are released into the atmosphere after clearing forests, wetlands, and fields for biofuel production (corn, sugarcane, and soybean, for example), scientists estimate that it will take "more than 300 years of biodiesel use to 'pay back' the carbons" emitted by clearing peatlands for palm oil, 93 years for "clearing grasslands to grow corn for ethanol," and 167 years for the deforestation for corn ethanol.<sup>24</sup> Further, the production of biofuels pits the wealthy industrialized world against poorer countries. Analysts predict that the race for biofuels will widen this divide.

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22) Ibid.

23) James Kanter, "EU Moves to Cut Back Target on Biofuels Use," *International Herald Tribune*, July 7, 2008.

24) Time Magazine [add FULL NOTE]

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The global food crisis in the spring of 2008 caused a rift between the U.S. and the EU where Brussels blamed the surge in world food prices on irresponsible U.S. policies that redirect corn crops to support ethanol production. EU Trade Commissioner Peter Mandelson wrote in the UK *Guardian* that “the race to grow maize for ethanol subsidies in the U.S. reduces the supply of food crops on world markets and drives up the cost of this important staple,” arguing that the EU has a more responsible policy for developing biofuels. The biofuels crisis illustrated that joint U.S.-EU cooperation throughout the renewable energy sector, as well as in nuclear energy, is sorely needed.

Nuclear power is another contested energy source. Some West European states oppose nuclear energy due to safety concerns and have made the closure of Soviet-era nuclear reactors part of the process for CEE states to join the EU. However, CEE states, squeezed by Russia for much of their energy supplies, would like to see nuclear energy revived within the EU. In April 2008, addressing the European Nuclear Assembly in Brussels, European Commissioner for Energy Andris Piebalgs stated that nuclear energy could address the global challenge of climate change and could also help ease Europe’s energy security crisis.<sup>25</sup> He also urged EU members to cooperate in ensuring safety and security at nuclear installations and gain public support for the development of nuclear energy. The Commission launched three initiatives – the High Level Group on Nuclear Safety and Waste Management, the European Nuclear Energy Forum, and the Sustainable Nuclear Energy Technology Platform. In May 2008 Prague hosted the European Nuclear Energy Forum where the CEE states advocated that nuclear energy be at the core of EU energy policy.<sup>26</sup> The U.S. should also enter this debate. As nuclear power is reexamined, coordinated U.S.-EU efforts will produce better and safer policies, especially in the areas of nuclear proliferation and storage of nuclear waste.

Coordinated investments in renewables can create a region-wide infrastructure capable of integrating energy inputs from various sources at various times depending on local conditions (sunlight, wind, water, etc.). With a stable investment and marketing system, sustainable energy has the potential to significantly reduce dependence on foreign oil and gas suppliers, increase energy security, lower costs, and slow the current rise of “resource nationalism.”

The potential of transatlantic cooperation in joint research and development in this area has not been fully utilized. It is unclear which EU institutions would be in charge of renewable/sustainable energy. Also unclear are what

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25) Leigh Phillips, “Nuclear energy a solution to climate change, says Brussels,” *Euroobserver*, April 15, 2008.

26) Chris Johnstone, “Central Europe Fuels Demands for European Nuclear Revival,” *Agence France Presse*, May 27, 2008.

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the ground rules will be. That said, the time is ripe for bold initiatives in both research and industrial cooperation in areas like next generation of nuclear, clean coal (carbon capture and storage/sequestration), smart solutions in demand management, energy savings, and energy efficient housing.

## Recommendations for both the United States and the European Union

- **Appoint a consultative standing body specifically for transatlantic energy security.** What is a threat to Europe now will be a threat to the U.S. very soon. There is a danger of resource expansion of Gazprom, taking over gas fields in the Western hemisphere. A U.S.-EU consultative mechanism must be created to address this joint threat. This means that *the United States must appoint a U.S. Special Representative for Energy to allow for more effective U.S.-EU Cooperation*. Because the issue of energy security falls across the jurisdictions of many U.S. departments, the U.S. should appoint an individual with the capacity to set new initiatives in motion. This individual would complement the important roles played by the U.S. president, U.S. secretary of state, and U.S. secretary of energy, in this area.<sup>27</sup>
- **Diversify energy sources.** The Nabucco project must be activated to transmit gas from Central Asia into Europe. Capital must be urgently raised, investors found, and supplies from the Caspian Basin countries secured, otherwise Russia will increase its monopsonistic and monopolistic position between Central Asia and Europe. The West must prepare for the day when Iranian natural gas can be added to the mix of other countries' gas from Azerbaijan, Turkmenistan, Kazakhstan, and Iraq. The EU should form a consortium that can supply commercial contracts to these countries for supplying the Nabucco, buying gas at the border. The success in raising capital and attracting investors for diversification projects such as Nabucco depends mainly on the EU's ability to provide incentives and loan guarantees and EU funds that would match the level of Russian support of the alternative project (South Stream). Building LNG terminals in Europe would increase capacity for non-Russian gas.
- **Improve efficiency.** Energy efficiency is an essential component to solving simultaneously the energy security and climate change equations. The International Energy Agency estimates that Central Europe could save on its current energy consumption by 20 percent while Southeast Europe and

27) This point was raised by Dr. Zbigniew Brzezinski in a hearing of the U.S. Senate Foreign Relations Committee on June 12, 2008.



the Commonwealth of Independent States could save between 30 and 50 percent.<sup>28</sup> The International Finance Corporation and the Global Environmental Facility have guaranteed loans from local banks across the region for the installation of energy efficient equipment.<sup>29</sup> There is a lack of information in the region about energy saving technologies and the real cost of energy. In 2005 the European Commission noted that a lack of information was perhaps the biggest obstacle to energy efficiency in CEE.<sup>30</sup> European Parliament member Claude Turmes (Greens-EFA, Luxembourg) has put forward several proposals for reducing energy waste, including the renovation of buildings and public transport in CEE.<sup>31</sup>

- **Coordinate research efforts of renewable energy technologies.** Sharing research saves money and time. A concerted and coordinated world effort is required to develop recommendations for renewable energy, energy efficiency, demand management, and advanced energy technologies in housing, transport, etc.
- **Prioritize energy security as a key sector of the EU Neighborhood Policy (ENP) and in complementary projects of U.S.-EU cooperation in the wider European neighborhood.** The EU must be more active in its neighborhood policy in the areas of building energy connections/supply grids, by adding or enlarging energy infrastructure. Within the European Union, the EU should integrate the Baltic states into existing EU energy grids, ending the Baltic states' exposure as an energy island. The U.S. can play a role in this process.
- **Obligate environmental assessment, transparency, and public discussion.** The North Stream and South Stream projects should only be able to start only once both have met the following prerequisites: fully transparency, a full assessment of the projects' environmental impact, full disclosure of the implications for the EU's competition policy, as well as a broader public discussion about the environmental impact.
- **Support nuclear energy.** The supply of nuclear energy will have a positive effect on climate change and is not subject to political disruption. The U.S. and EU should support Lithuania's proposal to keep its Ignalia nuclear power plant online to prevent the country's increased dependence on Russian supplies.

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28) TOL, "Money Down the Drain," *Transitions Online*, April 11, 2008.

29) See TOL. Also, International Finance Corporation, at [http://www.ifc.org/ifcext/media.nsf/Content/Efficient\\_Energy\\_Finance](http://www.ifc.org/ifcext/media.nsf/Content/Efficient_Energy_Finance) (Accessed June 14, 2008).

30) See TOL.

31) European Report, "Renewable Energy: MEP Turmes Under Fire for Rejection of Biofuels," June 2, 2008.

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## Recommendations for the European Union

- **EU member states must cooperate in developing an effective common policy that works to the benefit of all member states.** As Russia strikes deals with individual EU member states, the need for a common EU energy policy with solid commitments grows ever more urgent. The authors of this paper recommend that an EU member state notify DG-COMP, DG-TREN, and the Energy Commissioner 30 days prior to signing an agreement with a non-EU member country. Further, any non-EU member country operating in Europe must comply with European legislation in the areas of transparency, antitrust, and competition.
  - **Enforce EU unbundling requirements to promote transparency and foster competition.** The biggest challenge for the EU market is to protect liberalization from external monopolizing efforts. The biggest challenge for the European Commission is to ensure that EU member states adhere to EU legislation and transparency. Ownership unbundling as required by the EU will have a positive impact in the energy sector. As a result, there will be greater transparency in various deals between energy companies and gas prices will decline. Ownership unbundling has been pursued by a few EU members and proved successful in facilitating a move to competitive gas markets, marking a major improvement on the previous system of vertically integrated utilities. It continues to be strongly resisted by certain companies and Russian subsidiaries in Europe because it will foster greater competition. All of Europe is vulnerable to undisclosed deals with Russian energy companies due to a prevalence of corruption in the energy sector. The EU should establish agencies to monitor all major energy agreements between EU members, foreign companies and national governments, and it should be more rigorous in enforcing existing anti-trust and competition policies. Further, countries that bid on EU companies on the market due to unbundling must be similarly open to purchase by EU companies. There are rules, but they are violated. An EU member state must notify DG-TREN and the EU Energy Commissioner at least 30 days before signing an energy agreement with a non-EU member state. Companies should not be allowed to operate in the EU unless they meet the highest standards of transparency and accounting procedures.
  - **Increase technical assistance in the energy field.** The EU should provide technical assistance to Ukraine to meet goals in the energy field set by the International Energy Agency, World Bank, the European Bank for Reconstruction and Development, and the EU itself. The EU can advise
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Ukraine on drawing up open tenders inline with international standards and containing provisions for Stockholm arbitration n awarding exploration, development, and distribution rights. The European Union should fund and support twinning programs and open audits involving representatives from the above organizations working alongside Ukrainians in the energy and industry ministries, in the state oil and gas companies, in Ukrtransnafta and Naftogaz Ukrainy, and in the oversight committees in the Rada.

- **Support renewable resources.** The Czech EU Presidency should support and obtain the approval of the Directive of the European Parliament and the Council on the promotion of the use of energy from renewable resources. The proposed Directive aims to establish an overall binding target of a 20 percent share of renewable energy sources in energy consumption and a 10 percent binding minimum target for biofuels in transport to be achieved by each Member State, as well as binding national targets by 2020 in line with the overall EU target of 20 percent.
- **End subsidies of electricity and natural gas.** Many governments along the EU's eastern border heavily subsidize electricity and/or natural gas. These low prices do not provide any additional monies for upgrading networks. Further, consumers do not understand the real price of energy and consume more as a result.

## Recommendations for the United States

- **Establish and implement a coherent national energy policy.** The energy program advanced by U.S. President Obama to invest \$150 billion over the next ten years needs to be implemented both to create a clean energy future and to create jobs. In developing its new programs and policies, the U.S. administration must take into account the convergence of energy security and climate change as factors of national security. The private sector cannot and will not make the necessary investments until the new national energy policies and priorities are established.
  - **Diversify energy sources.** Both the U.S. and Europe need to diversify their energy sources. The U.S., although drawing on a more geographically diverse resource base than Europe, needs to develop renewable/sustainable energy resources to break its overwhelming dependence on carbon-based energy. Half of the electricity produced in the United States is generated by coal fired power plants.
  - **Develop an effective equitable and predictable method of valuing carbon usage in the economy.** Whether by mandate, “cap and trade” or
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a carbon tax, greenhouse gas production will not be brought under effective control until there is an economic factor/value that business and industry can use in making their investment and other financial calculations.

- **Significantly increase the emphasis on energy efficiency.** Due to traditionally cheap energy, the U.S. is wasteful of energy by consumers and has lacked effective incentives for energy efficient products. The Energy Independence and Security Act of 2007 established a variety of new national standards for lighting and equipment. New standards in construction, housing, and public transport should also be introduced to drive more efficient energy utilization.
  - **Improve transmission grids and implement the use of smart grid technology.** Transmission grids in the U.S. will be unable to handle the increased energy demand in the near future. Grids are old, inefficient, and unable to effectively integrate energy from renewable energy resources.
  - **The U.S. Government, through tax incentives or subsidies, must support the research necessary for the development of two critical technologies – clean coal and more efficient electric power storage.** The U.S. has very significant coal resources and the development of clean coal technologies would make a major contribution to U.S. energy independence. Expanded use of renewable energy power to reduce dependence on hydrocarbons, particularly in transportation, cannot be optimized until much more efficient batteries or some new method of storing electric power or other form of energy is developed.
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# Democracy Assistance in a Transatlantic Perspective

*By Anna Michalski (SIEPS) with contributions by John K. Glenn (GMFUS Washington), Michael Allen (NED), Thomas Melia (Freedom House), Pavol Demeš (GMFUS Bratislava) and Roel von Meijenfeldt (Netherlands Institute for Multiparty Democracy)*

## The importance of democracy in contemporary discourse

Western thinkers have long held a conviction that democracy is essential for building stable and peaceful societies, with many holding it to be the most equitable and efficient political model to allocate material wealth and ensure popular representation. This belief drove the reconstruction of western Europe after the Second World War and grew stronger during the 1990s when the countries in central and eastern European freed themselves from Communist regimes, the Soviet Union ceased to exist, and the Cold War came to an end. In this period, democracy and the liberal market economy travelled triumphantly through the world as populations in some newly independent states stridently defended these principles as the surest means to achieve a higher standard of living and freedom to shape their own lives. In Eastern Europe, the USA served as a model of socio-economic and political renewal alongside western European countries which also acted as points of attraction and promoters of democracy. Consistent with the well-known writings of the Nobel Prize winner, Professor Amartya Sen, many people also believe that democracy, which allows men and women to live more freely than other systems, is intrinsically a good thing even apart from its instrumental value in facilitating other good.

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The end of the Cold War changed the ballgame of international relations as no longer one single over-arching strategic concern dominated global politics. This new situation coincided with a spectacular intensification of global economic and social interactions and communication and opened up the prospect of a renewed engagement where countries throughout the world became involved in the twin processes of democratization and economic modernization. At the end of the 20<sup>th</sup> century, democracy seemed to make great strides in most parts in the world as democratic government, the rule of law and good governance went hand in hand with economic and social transformation.

Then, during the first decade of the new millennium, the place of democracy promotion in the western world's foreign policy tool box changed as it became associated with measures to deal with failed states and the threat of terrorism. This change in character may have been the strongest on the politico-strategic level as NGOs and the development community at large continued working according to well-known principles linking freedom and democracy to improvements in populations' well-being. However, democracy promotion as a guiding principle, particularly in the United States' relations with third countries, was increasingly viewed with suspicion chiefly because the aims were no longer seen as driven by universal values and a benign trade-off between complementary interests, but rather by more narrow national security, energy or economic interests. In separate but concurrent events the backlash against democracy was further prompted by authoritarian regimes' reaction to the 'colour revolutions' in Ukraine, Georgia and Kyrgyzstan.

Today, at a time when democracy appears to be backsliding<sup>32</sup> and authoritarian regimes in countries such as China constitute a real alternative to developing countries in their quest for economic growth and development without having to engage in risky democratic and social reforms, the EU and the United States have a shared interest in redeeming the status of democracy promotion. Democracy is part of American and European fundamental values and is a basic premise of their societies. It is also a fundamental principle in their foreign policies and an essential aspect of their relations with third countries. Both the EU and the United States stand to gain if democracy is reinstated as a concrete expression of fundamental universal values and as a requirement for a multilateral system of governance on the global level.

The moment for intensified transatlantic cooperation seems propitious with the election of Barak Obama as president of the United States. The expectations

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18) The January 2009 edition of *Freedom in the World*, the authoritative assessment of the state of civil liberties and political rights worldwide produced annually by the American NGO Freedom House, indicates for three years running now more countries have seen basic freedoms decline than improve. See <http://freedomhouse.org/template.cfm?page=70&release=756>

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in Europe on Obama, and his Secretary of State, Hilary Clinton, are huge as both appear more open to multilateral cooperation and dialogue. There is clearly a window of opportunity for both Americans and Europeans to advance shared principles and values on the international scene, as well as agreeing on a way forward on a host of difficult foreign policy challenges.

## The United States as a promoter of democracy

Democracy is a fundamental dimension of the American self-image touching as it does on the very essence of American nationhood. Democracy promotion therefore becomes a natural ingredient in its relations to the outside world and given the country's size and resources the United States has been a key player in several successful instances of democratization. Examples of successful democratization include for instance, Japan and West Germany after the Second World War and the low-key support to human rights activists and dissidents of the Communist regimes in Eastern Europe countries during the Cold War. There are other contrary examples, for instance Latin America during the 70s and 80s, where American involvement acting within the Cold War imperative belied its attachment to democratic principles and attracted strong criticism from the international community, as well as domestic American critics of these policies. However, one should not forget that, particularly after the end of the Cold War, the United States redeemed itself by turning against the likes of Pinochet, Marcos, and Suharto and in sponsoring democratic transitions in Central America.

An account of the American approach to democracy promotion cannot avoid focusing on the experience of the war in Iraq and the conduct of the simultaneous "war on terror" which has had such a fundamental impact on American foreign policy and its standing abroad. It has been argued that 'the Bush administration's identification of democracy building with the war in Iraq has discredited the concept both at home and abroad' and that a 'generation of work to build consensus at home and legitimacy abroad for US democracy promotion is in disarray'.<sup>33</sup> Others, however, argue that there is still a robust US consensus, at least among the political elites in both parties, on the principles and instruments of democratization as debates have primarily concerned policies and priorities.<sup>34</sup>

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33) Thomas Carothers, *Repairing Democracy Promotion*, washingtonpost.com's Think Tank Town, September 14, 2007. <http://www.carnegieendowment.org/publications>

34) Thomas O. Melia, *The Democracy Bureaucracy; the Infrastructure of American Democracy Promotion*, (The Princeton Project on National Security) [http://www.princeton.edu/~ppns/papers/democracy\\_bureaucracy.pdf](http://www.princeton.edu/~ppns/papers/democracy_bureaucracy.pdf)

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The war on terrorism, chiefly played out in Iraq and Afghanistan, epitomizes some of the greatest weaknesses and strengths of the American approach to democracy promotion:

**The great appeal and force of attraction:** The Bush administration made democracy a rallying cry for the war on terror and the redemption of failed states which harbour terrorists or tolerate them on their territory. At the start of American action in Afghanistan, the spread of democracy attracted a great deal of support both inside and outside the United States, whereas in the case of Iraq, democratisation was at first primarily articulated as a motive by a small number of neo-conservatives. Although large sections of American society supported the invasion in Iraq in its initial stages, because they were told that Iraq had weapons of mass destruction, it soon became clear that popular support for this war petered out.

Domestically, popular support for forceful regime change came in the wake of the terrorist attacks on the World Trade Centre in New York and the threat of future attacks on American soil, possibly involving weapons of mass destruction. Not long after 9/11, the Bush administration pointed to the dictatorship of Saddam Hussein as a likely perpetrator and harbourer of terrorists who presented a grave danger to the American public and launched an invasion of Iraq in order to liberate the Iraqi people and installing a democratic regime in an important Arab country.

The Bush administration's pursuit of a war in Iraq and its aim of extending democracy to the Arab region in the name of freedom sought to draw on a deep-seated tenet in American society in support of the principle of democracy. Abroad, its status as the world's uncontested superpower gave rise to expectations of the United States promoting American values on the world stage and taking action in order to enforce those values. However, the swiftness and effectiveness with which the United States can act may also turn against it when the action taken lacks legitimacy or contradicts stated values and principles, especially when the action is mishandled due to incompetence or lack of planning. This is what the Bush administration experienced: its actions in Iraq and in the war on terror appeared to breach American claims of righteousness and vitiated morally justified policies. It also convinced many that forceful regime change cannot go hand in hand with the promotion of democratic principles and human rights. The challenge for the United States is to redress its message of democracy and human rights as a universal value for all people. At home, the Obama administration must fight against domestic forces that advocate isolationism and abroad it must re-legitimize its democ-

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racy promotion policies by doing away with the most egregious human rights violations (Guantanamo Bay, extra-territorial rendition, torture of prisoners of war and illegal tapping of its own citizens). The new administration may already have begun to make changes and in this context Barak Obama's first decision as president of the United States to suspend the war-crime tribunals at Guantanamo is significant.

**The dichotomy between a realist and normative foreign policy:** Interests, of course, always play a role in the pursuit of foreign policy objectives. However, in the area of democracy promotion, ambiguity as to the true nature of the intervening state's interests is arguably more problematic than in other areas.

The Bush administration's stated interest in promoting democracy in the Middle East and beyond was to improve stability and governability of these countries in order to prevent 'failed states' becoming a breeding ground for terrorism and to prevent the spread of weapons of mass destruction and terrorist networks such as al-Qaeda. This example underscores the delicate relationship between the articulation of democracy promotion policies based on universal values and the pursuit of foreign policy interests even though the two cannot be entirely dissociated. Between the two poles of realist and normative foreign policy lie many possible positions, but as the wars in Iraq and on terrorism illustrate, it is counterproductive for well-intentioned democracy promotion programmes if the international community believe the American administration's real interests in Iraq and the surrounding region are other than those stated publicly. Democracy promotion relies as a policy on the sincerity of the promoter as to the intentions and interests behind the policy. The challenge for the United States is to change the perceived association between American military intervention and regime change with democracy promotion policies.

**Political and financial resourcefulness and ability to take action:** The United States is the world's most resourceful foreign policy actor owing to its political and military strength, its budgetary resources and its cohesiveness as an actor including the powers vested in the office of the president. In 2006, United States' total overseas development aid amounted to 23.5 billion US\$; an amount that corresponds to roughly 0.16 per cent of GNI whereas the corresponding figure for 2007 is slightly higher at 0.18 per cent.<sup>35</sup> Beyond financial resources, the USA acts as a powerful player in multilateral organizations, both

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35) OECD, *Aid at a Glance 2005–2006 and OECD Factbook 2008: Economic, Environmental and Social Statistics*, published on [www.oecd.org](http://www.oecd.org).

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through financial instruments and political initiatives, and is an influential, if not the most influential, player in global politics. On another level, the United States is the host to some of the most influential NGOs in the area of democracy promotion which act worldwide to administer concrete projects and report on the state of democracy around the world as well as participants in the debate about the aims and objectives of democracy promotion.

In order to harness the resources and influence of the United States and direct them more explicitly towards national security, the then Secretary of State, Condoleezza Rice, coined in 2006 the term *Transformational Diplomacy*. Under the auspices of a newly created post of director of foreign assistance, the efforts and financial resources of the State Department and USAID have been pooled together in order to improve performance and effectiveness within seven strategic goals all geared towards enhancing democracy and development worldwide. USAID and the State Department combined spent US\$ 2.65 billion in 2007 on the strategic goal *Governing Justly and Democratically* and an increase of 27 per cent was requested for the 2008 operations<sup>36</sup> although much of this spending can only very loosely be considered democracy promotion funding. It is too early to evaluate the impact of this reform although concerns have been raised that the reform aims at gearing development assistance more directly towards foreign policy objectives.

With this kind of resourcefulness comes responsibility to adopt policies that are true to their stated aim and in keeping with the principles of democracy. Responsibility weighs heavier on the shoulder of the resourceful than on those lacking in resources but gives leverage and ability to take action. The challenge for the United States is to engage in a sincere manner with third countries, one that does not refrain from criticizing those that resort to doubtful democratic practices and human rights abuses even if they are considered strategic partners in the war on terror or control assets that are of strategic interest to the United States. It should also put more emphasis on multilateral fora where a positive engagement on behalf of the United States is of key importance to build an international consensus in favour of democracy.

## **The EU as a promoter of democracy**

The EU is a very different political actor from the United States. It has evolved from cooperation among six countries in western Europe centred around trade and agriculture to become a highly institutionalized political

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36) Information obtained on [www.usaid.gov](http://www.usaid.gov).

body encompassing almost the whole of Europe. The importance of the EU in terms of geographical stretch and size of its economy warrants a place on the scene of global politics. Although, the EU's international ambitions have grown considerably in recent years, now ranging from development to security, it is still considered an atypical foreign policy actor, principally because of its institutional and political structure built on consensus-building and collective government among the 27 member states. The EU is in the midst of a difficult constitutional reform with the Lisbon Treaty which, if ratified despite the Irish 'no' in a referendum in June 2008, opens up the possibility for the EU to adopt a more coherent and effective foreign policy. Whether the EU is in the end endowed with more potent treaty-based competence in the area of foreign policy or not, it is no longer shy about projecting itself as a global player. The perception of the EU as a global actor has the support of European elite circles but it has still to prove its credentials both to European and foreign publics. It is also not clear in the area of democracy promotion whether the United States views the EU as more or less important than key European states with established institutions active in the field, such as the German political party foundations. An account of the EU's efforts to promote democracy sheds light on its strengths and weaknesses as well as the challenges ahead.<sup>37</sup>

**A normative foreign policy:** The EU has often been referred to as a normative foreign policy actor. This is a reflection of its *raison d'être* as well as its policies. The EU was set up in the aftermath of the 2<sup>nd</sup> World War to create a union among previously warring states to support their economic and social modernization and consolidate the still fragile state of democracy in West Europe in the shadow of the Cold War. The EU was conceived as a process with some clearly defined objectives whereas its end-goal was deliberately ambiguous in order to let political integration among the member states evolve gradually. As a consequence, the EU has since its inception professed a number of values and principles that guide both the conditions of integration among member states as well as the aims of common policies. Democracy, human rights and the rule of law are founding principles of European integration and lie at the heart of the EU's normative foreign policy. As a result of continuous constitutional reform and enlargement, these principles have been further elaborated. The Lisbon Treaty building on the treaties currently in force states unequivocally that the EU must build relations with third countries on the basis of its own values and founding principles, namely 'democracy, the rule of law, the univer-

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37) Richard Youngs at FRIDE in Madrid, many articles and studies

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sality and indivisibility of human right and fundamental freedoms and respect for human dignity....' and affirms that the Union's external relations objectives should 'consolidate and support democracy, rule of law, human rights and the principles of international law'.<sup>38</sup>

With these kinds of declarations of intent the EU has attracted criticism of enouncing lofty goals and principles but falling short of delivering effective policies to enforce those principles, let alone take decisive action when these values and principles are violated. The EU has also been accused of inconsistency in its over-all policy direction pursuing policies with contradictory outcomes in recipient countries. The reasons for inconsistency are most often due to disagreement among member states and their attempts to protect domestic interests to the detriment of declared foreign policy aims. In fact much of the difficulty for the EU to forge common positions can be inferred from member states' urge to pursue national realist interests than implementing actively their normative foreign policy goals agreed jointly under the EU banner. European countries' relations to Russia is an example of this as well as some member states' tribulations as regard free elections in countries such as Algeria and Egypt.

The challenge for the EU therefore is on the one hand to build relations with third countries that are true to its own values and principles and consistently promote these abroad, and on the other, to conceive coherent foreign policies that are compatible with member states' interests, domestic opposition or sectoral interests.

**From stand-in policies to democracy promotion in its own right:** Despite lacking a foreign policy commensurate with its economic weight, the EU has pursued a number of policies through which it been able to spread democracy quite successfully. The EU insists since 1995 on the inclusion of a human rights clause in all bilateral association agreements it concludes with third countries and democracy and human rights are mainstreamed into all EU external policies and strategic documents. The EU is also an active player in multilateral organizations, particularly the UN where it supports actively the UN Human Rights Council, although the efficiency of this forum and the EU's leverage within it has been questioned due to the dominance by authoritarian regimes. The EU has also given its support to specific projects such as the International Criminal Court, electoral monitoring and so on. Democracy, good governance and human rights are increasingly being emphasized within EU and its member states' development policies and certain countries, such

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38) Treaty on European Union (as amended by the Lisbon Treaty), art.21.

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as Sweden, have made democracy an overriding principle of its development policy. Newer democracies, from Portugal to Poland and the Czech Republic, also tend to be forward leaning in this regard.

Since 1994, the European Instrument for Democracy and Human Rights (EIDHR) is, despite some criticism regarding its efficiency, the EU's flagship programme on democracy promotion and human rights supporting the activities of civil society working for human rights and democracy in third countries as well as regional and international organizations. The budgetary resources of this project were €140 million in 2007.<sup>39</sup> Looking at over-all spending on development aid, the EU and its member states constitute the world's largest donor as their combined budgets for development in 2006 made up 56 per cent of the development aid delivered by major industrial countries. In 2007, the EU15 spent roughly 0.45 per cent of their GNI on overseas development aid.<sup>40</sup>

The EU's efforts in promoting democracy are however the most effective in the context of accession of new member states. For European states aspiring to become members of the EU, democratic governance and institutions were previously a requirement taken for granted. In view of the newly democratized countries in Central and Eastern Europe's wish for membership in the early 90s, the EU toughened the conditions for opening accession negotiations by referring explicitly to the adherence to the values and principles of the EU treaties and by imposing specific criteria on the aspiring countries. In the area of democracy, the Copenhagen criteria specified that in order to be eligible for membership, a country must have achieved 'stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities.'<sup>41</sup> The criteria for democracy, along with requirements in other fields, became a yardstick for assessing candidate countries' democratization process and helped to anchor these countries' transformation process within a larger framework buttressed by sticks and carrots to keep candidates on the path of reform. The enlargement process provided a strong element of conditionality as the Central and Eastern European countries' membership was conditional on the candidates' fulfilment of the criteria. These criteria are now applied in the accession negotiations with Turkey and Croatia as well as in any other future enlargement negotiation.

The success of enlargement as an instrument of democratization was emulated in the policy towards the countries neighbouring the enlarged EU to the east and south. The neighbourhood policy is built on bilateral association

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39) European Commission, *Furthering Democracy and Human Rights across the Globe*, OPEC, Luxembourg, 2007

40) *OECD Factbook 2008: Economic, Environmental and Social Statistics*, published on [www.oecd.org](http://www.oecd.org)

41) European Council, Conclusions, Copenhagen, June 1993

agreements between the EU and neighbouring countries (15 countries plus the occupied Palestinian territory) with the aim of corresponding to individual countries' interests and level of ambition in terms of integration with the EU. The agreements attempt to set up privileged partnerships building on a shared commitment to common values, including democracy, human rights, the rule of law and good governance. In the same vein, the EU is seeking bilateral association agreements, the so-called European Partnership Agreements, with 75 African, Caribbean and Pacific countries, based on shared values and norms, including democracy, good governance, human rights as well as in other regional association agreements with third countries such as the Mercosur and the Andean Community.

However, in terms of conditionality the EU does not have the same leverage in association agreements as in the enlargement process. Both the neighbourhood policy and other association agreements have been criticized for not being 'hard' enough to deliver on their objectives, nor flexible enough to take into account the partner countries real needs and aspirations. It is unquestionably so that the motivation to conform to EU's values and principles is less when membership is not at stake and as long as the EU has not agreed that membership is the goal of an association, member states may resort to bilateral relations potentially reflecting conflicting national interests.

It would be in the EU's interest to capitalize on the leverage of conditionality in contractual contexts other than enlargement in order to persuade third countries to adopt democratic principles, human rights and good governance. Moreover, the EU cannot enlarge infinitely lest its attractiveness would be lost and therefore the EU as a foreign policy actor needs to refine conditionality as a foreign policy instrument, not as a condition for membership.

**Coherence, cohesiveness and political leadership:** The EU has been characterized as an economic giant but a political dwarf. It has been criticized for incoherence in its policy stances, over-compartmentalization of policies, indecisiveness in times of political crisis and for not speaking with one voice. Much of this criticism can be explained by the fact that the EU foreign and security policy has to be decided consensually among its 27 members and implemented through complex constructions involving EU institutions and national diplomatic services and security and military structures. In many instances, such as development policy, member states retain their national prerogatives as EU competence in this area is complementary to the national competence. The financing of EU external policy initiatives is also dependent on both the EU budget and national budgets again adding to the impres-

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sion of fragmentation. This situation is detrimental for over-all coherence, particularly in the pursuit of value-based principles such as democracy which require perseverance and long-term commitment. Attempts have been made to anchor more firmly EU values such as democracy and human rights to specific policies and strategic policy documents. The Consensus on Development of 2005 emphasizes that 'EU partnership and dialogue with third countries will promote common values of: respect for human rights, fundamental freedoms, peace, democracy, good governance, gender equality, the rule of law, solidarity and justice'.<sup>42</sup> The European Security Strategy of 2003 affirms that well-governed democratic states are 'the best protection for our societies' and the spread of 'good governance, supporting social and political reform, dealing with corruption and abuse of power, establishing the rule of law and protecting human rights are the best means of strengthening the international order'.<sup>43</sup>

The Lisbon Treaty makes a number of institutional changes which aim at improving the ability of the EU to act globally. The most significant are the creation of the office of High Representative (HR) for the Common Foreign and Security Policy and the European External Action Service providing the HR with autonomous resources in terms of expertise and personnel. This development has worried the European development community which sees it as a means of conceiving a more interest-driven foreign policy to the detriment of the value-based normative nature of EU external action. In its view, democracy promotion risks becoming just another tool of the traditional realist foreign policy, and the EU, and in extension those who implement its projects, would lose credibility in the process when seeking to promote universal values in the global arena. The challenge for the EU is to ensure that, if the Lisbon Treaty is ratified, an enhanced capacity to conceive coherent and effective external relations policies and pursue its interests globally do not imply that it does no longer seek to promote even-handedly its values and principles, particularly democracy and human rights.

In addition to the evolution in institutional reform of the formal EU foreign policy instruments, new European initiatives have been taken through the foundation of the European Partnership for Democracy (EDP) to enhance the role of European NGOs in providing democracy assistance in partnering with their American NGO counterparts.

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42) Council of European Union, *The European Consensus*, Doc. No. 14820/05, Brussels, 22 November 2005.

43) Council of European Union, *A Secure Europe in a Better World*, European Security Strategy, Brussels, 12 December 2003.

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## **Transatlantic co-operation in democracy promotion: current state of affairs**

Despite sharing similar value-based foundations and normative principles, cooperation between the EU and the USA in the area of democracy has in recent times been neither systematic nor recurrent. This state of affairs can be explained by a number of factors, such as the understanding of democracy promotion in a policy context; the approach to receiving countries; and the methods used and the articulation of democracy promotion vis-à-vis other policy objectives.

The United States has in the past been criticized for being an explicit promoter of democracy, adopting a rhetorically charged democracy strategy that too often emphasizes confrontational stances, centres directly on foreign rulers or specific causes and highlights visible manifestations or symbols of democracy, such as elections. On the other hand, the U.S. puts more money and people into democracy promotion efforts worldwide than does the EU and, in virtually all cases, there is no military action involved. However looking beyond the conspicuous cases of Iraq and Afghanistan the difference between US and EU approaches to democracy promotion should not be overstated. For instance, both the Middle East Partnership Initiative and the Barcelona Process stress non-confrontational partnership-based approaches with Arab regimes, and disproportionately favour economic assistance over aid to civil society.

The most visible American democracy promotion measures are connected to high-level presidential initiatives that often take place outside the existing channels and structures of US democracy assistance and multilateral organizations. Receiving countries have sometimes experienced US democracy promotion as too intrusive to the detriment of constructive dialogue and long-standing involvement although it should not be forgotten the difficulty in finding the appropriate balance between maintaining good intergovernmental relations while assisting indigenous liberal/democratic forces. The US is on the other hand a more decisive actor when it comes to applying coercive instruments, for instance sanctions but also military, and therefore wields the power of persuasion with much more credibility, both positive and punitive, than the EU. In addition, its clear-cut rhetoric and distinct recipient makes it more effective in terms of the communicative impact.

The EU on the other hand has prioritized low-key, long-term dialogue and most of the time of a less confrontational character than the American. The EU has often refrained from the American rhetoric under the Bush administration regarding it as counterproductive. Although both recognize the link between

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peace and democracy, the EU has focused its efforts on socio-economic development, the rule of law and good governance. In addition, in view of the EU being an institutional actor itself, it places a much greater emphasis on building structures and processes with the aim of achieving a densely-knitted web of cooperation in the medium-to-long term. The EU engagement with the African Union is one example of this.

On the political level both parties emphasize the benefits of stepping up cooperation and EU-US summit declarations have recurrently stated their shared commitment to promotion of peace human rights and democracy. In the context of the multi-polar world that has emerged in recent years in which democracy seems to be experiencing a backlash, there seems to be an obvious interest for the EU and the United States to increase their cooperation in multilateral fora, such as the UN, the Organization for Security and Cooperation in Europe (OSCE) and the Organization of African States (OAS).

## **Recommendations**

The US-EU summit in Washington in the spring 2009 comes at an interesting point in time as a new president of the USA has taken office and the EU is to have a new European Parliament and European Commission by the autumn 2009. The arrival of new administrations in the US and the EU provide an opportunity to address common issues and re-launch fruitful transatlantic cooperation. In the area of democracy promotion, the working group would like to suggest the following recommendations

### ***To the USA***

- Redeem the legitimacy of US democracy promotion policies and dissociate them from the policies of 'failed states' and forceful regime change;
- Engage in a vigorous, open and transparent manner in multilateral organizations and with third countries.
- Formulate and communicate foreign policy aims in a way that does not undermine the intrinsic values and norms of democracy.

### ***To the EU***

- Build on the positive experience of enlargement of the EU to promote democracy, human rights and good governance to the countries neighbouring on the EU;
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- Give democracy promotion a more pronounced place in the EU external relations by strengthening democracy policy instruments and resources, including the instruments offered by the EU NGO democracy support agencies. Work on shaping democracy conditionality into a proper instrument that works beyond enlargement;
- Prioritize among normative principles and values, such as democracy and human rights, and EU external interests in a transparent and just fashion.

### ***To the USA and the EU***

- Recognize the interest of cooperation in the area of democracy promotion and the value of a coherent message on behalf of the USA and the EU on the global level;
  - Adopt a coherent policy of democracy promotion towards undemocratic states, refrain from competition on strategic resources or interests which will undo democracy promotion policies;
  - Recognizing the urgent need of third countries for economic and social development which constitutes an essential factor in the democratization process, not least in the current context of deep global economic recession.
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# Time for strengthening EU-U.S. cooperation in the EU neighbourhood

*By Věra Řiháčková (EUROPEUM) with contributions by John Glenn (GMF), Nathalie Tocci (IAI), Stephen Larrabee (RAND), Christian Lequesne (Sciences Po/CERI) and Ilona Teleki (CSIS)*

The EU neighbourhood is a strategic area both for the EU and the U.S. with the EU following additional interests in the field of migration management or its future enlargement; their agenda is primarily security-driven and securitized. The EU is facing several tensions at the moment. First, the EU is becoming increasingly aware of the urgent need to speak with one voice on the international scene. However, even with the Lisbon Treaty in force there is no guarantee that the EU members will have a single view but merely one place that may articulate the lack of consensus. The divergent positions of the EU member states on specific issues create enormous problems, particularly in relations with Russia. Second, there are competing discourses within the EU on the future arrangements of its relations with neighbour countries and on EU enlargement. Third, EU is balancing the multilateral approach embodied in the enlargement policy and partly ENP (EU as a normative power, projecting its norms, rules and ideas) including the newly established Union for the Mediterranean and Eastern Partnership, which is losing its incentive and appeal, with the customized approach and bilateral agreements, preferences and interests.

In the last years, the US has been largely focused on the wars in Afghanistan and Iraq, as part of its global war on terror. It has adopted a differentiated approach towards the countries of the European neighbourhood, pursuing

a series of disparate policies toward individual states and several regions (the Balkans, Middle East). It tried to give these policies coherence, but generally came to the conclusion that the countries of region were too different to have an overarching approach. The selective bilateral approach was based mostly on prioritizing security and counterterrorism issues.

Should minimal transatlantic cooperation prevail, both the EU and U.S. would strive to secure relations with some important countries, especially for alternate routes for energy imports to Europe. They would be avoiding clashes with local, non-democratic regimes, searching for ad hoc supporters with the EU continuing not to want to put its image at risk. The competing interests and structures would allow the target countries to 'cherry-pick' from U.S. and EU-generated initiatives. More ambitious cooperation and coordination could aim at addressing a wider agenda. The goals of both the U.S. and EU are complementary, but often minimally coordinated. With the new U.S. administration under the leadership of President Obama the strategic cooperation of the EU and U.S. in the European neighbourhood should be given a fresh boost. However, priorities of the U.S. foreign policy shifted; after president's speech in Prague (April 2009) on denuclearization, the U.S. interest in the EU neighborhood, particularly in its Eastern part, seems to be losing drive, especially in consequence of an effort to improve U.S. relations with Russia.

## **Possible points of convergence**

- **Energy security.** There is a joint interest in securing the flow of energy resources to Europe, at least to Turkey (competing pipeline projects). The U.S. is mostly interested in transport capacities and securing the routes (but also in fair and consistent treatment of foreign investors in the Russian market) and the EU, as a consumer, (some member states are 100% dependent on Russian imports) is interested in reaching a complex deal with Russia, allowing for transposition of its regulatory framework on the Russian energy market and Russian companies. Unfortunately, there is no consensus within Europe on the issue of energy security.
  - **Self-sustaining stability in the Balkans in the long run.** Both the U.S. and EU have prioritized self-sustainable democracies in the Western Balkans with the responsibility for this region shifting towards the EU.
  - **Need for a Black Sea Region strategic concept.** Both the U.S. and EU agree that the region has become a new strategic frontier for the transatlantic partnership and Russia with a future of Ukraine as a key issue, and Turkey as an essential regional player.
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- **A need to ease Russian pressure on EU neighbouring states.** There is a basic agreement between the U.S. and some EU member states that Russian pressure on EU neighboring states must be eased and that those states that wish to integrate into Euroatlantic structures should be permitted to do so. However, EU member states differ widely on the speed of integration of EU neighboring states into Euroatlantic institutions, and the current major interest of the U.S. is to improve relations with Russia.
- **The objective to spread democracy.** There are similarities on the ground in terms of assets and liabilities, however, both EU and U.S. discourses have experienced gradual erosion and remake in interactions with the actual policy takers with the clear democratization objective being muffled. Simultaneously, Russia's patronizing attitude and support provided to non-democratic forces in the Eastern neighbourhood is growing.

## Possible points of divergence

- **NATO Enlargement.** The future of NATO and its role in European and transatlantic security.
  - **Conceptual views on the EU integration and enlargement.** Some EU member states – mainly France and Germany – have been resentful of the U.S. push for continued EU enlargement considering the widening of the Union will diminish the EU's ability to participate as a key actor in a multi-polar world. The U.S. belief has been that EU membership is the sole best catalyst for democratic reform and that the European project has no set boundaries as a precondition of such a role.
  - **Policy towards Russia.** This is not least because of diverging positions of the EU member states. Under the George W. Bush administration the U.S. engaged Russia for stability, security, and counterterrorism efforts, whereas EU engagement has been directed primarily toward energy security and some issues of world diplomacy. The EU has not been successful so far in linking the internal and external aspects of the energy policy and relations with Russia into one strategy; the ethos for a single policy towards Russia is waning in the EU. U.S. policy towards Russia changed with the Obama administration; it needs Russia in order to tackle successfully its major foreign policy priorities, i.e. denuclearization, Iran and Afghanistan.
  - **Recognition of Kosovo.** Not all of the EU member states have recognized Kosovo for various reasons; the problem is rather intra-EU than across the Atlantic. The U.S. would like to see a single European policy of recognition for Kosovo.
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## **The main challenges**

### ***Black Sea Region, relations with Russia and the future of Ukraine***

The Black Sea region is of enormous strategic importance both to the EU and the U.S., however, there is no effective EU-U.S. coordination in the region (sometimes rather a coordinated absence of effective policy). The U.S. prioritizes democratic reform in addition to security ties; it utilizes its strength in security issues to develop bilateral relations. Also the U.S. approach to democracy promotion is rather selective and tends to prioritize strategic, security oriented concerns (the EU follows more stability oriented goals). When engaging, the U.S. is rather focusing on the support of (liberal) opposition actors against incumbent regimes (whereas the EU is adopting a more politically 'neutral' approach to political changes but promoting a more comprehensive process of political change; being so minimal and loose in its commitment EU's results have been less visible so far). The EU and its member states, despite the crucial importance of the region energy security—wise, stick to the ENP tools and democracy promotion discourse but in fact there is lack of EU strategic vision towards the region. The project of Eastern Partnership has a potential to strengthen mutual relations in different important areas but due to the lack of articulated support of the big EU member states cannot fill in the strategic considerations gap. The issue of the frozen conflicts gained enormous importance after the crisis in Georgia. The existing peacekeeping and negotiating formats proved dysfunctional with Russia using the UN and Organisation for Security and Co-operation in Europe (OSCE) peacekeeping mandates to legitimize its military build-up in the region. Russia utilizes every U.S. or EU move to legitimize its own actions and its moves have shown its determination to stymie the Euro-Atlantic aspirations of the countries in the region. Ukraine's future is of key importance to the region and the possible Russian aspirations vis-à-vis Crimea is yet another geostrategic challenge for the transatlantic partners. Similarly, the important role of Azerbaijan in constructing an alternative energy route to Europe (East-West corridor) had been missed by the EU and U.S. for some time. The Nabucco project, desired by the Europeans as an alternative energy route and supported by the U.S., was guaranteed a financial commitment within the European recovery plan adopted during the regular Spring 2009 European Council, under the Czech EU Presidency. However, its materialization is

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still uncertain due to the Turkish bargaining position. Many in the region look at building their alliances and future prospects primarily through the lenses of relations with Russia (impact of the Georgia crisis on the political developments in Ukraine or Azerbaijan population); a coordinated policy should take this seriously into account.

### **Western Balkans**

EU Enlargement policy has been for a long time the EU's principal democratization strategy – a powerful tool, able to deliver real change. However, besides Croatia, Macedonia, and possibly Serbia, further enlargement is unlikely in the mid-term perspective (despite the 2003 Thessaloniki declaration commitment). Public concern within the EU member states over the EU's ability to absorb new members did not remove the carrot of EU entry, which had enticed and pushed each candidate to conduct appropriate reforms, but has rather made the carrot more elusive in the Western Balkans now. The reforms and stability of the Western Balkans are increasingly seen as a European issue, with the U.S. encouraging that the EU takes the lead. Much of the EU's future success in the Western Balkans now hinges on making sure that EULEX is successful in Kosovo (despite its inauspicious start and delays in emplacing the mission). Despite the fact the EU and U.S. share the same long term goals in the region and the U.S. has acknowledged the EU enlargement as a credible tool to achieve its own goals in the region, a further coordinated effort is needed in order to tackle the situation in Kosovo, Bosnia and Herzegovina, Serbia and Macedonia.

### **Turkey**

Both the U.S. and EU are losing Turkey. Popular and political support for the U.S. and EU has dropped significantly in Turkey over time. Turkey is becoming an assertive regional power, which despite its declared aspiration to join the EU is increasingly following a multi-vectoral foreign policy. The ultimate strategic goals of the transatlantic partners are convergent. Turkey is crucial in terms of energy security both for the EU and the U.S. in terms of its capacity to bring Caspian oil and gas to world and European markets. Likewise, it plays the key role to many regional issues of crucial interest to both transatlantic partners – Middle East, the Caucasus, Iran or the Balkans. But the approach to Turkey has been diverging for some time. While the U.S. sees Turkey primarily from a strategic perspective and exclusively as

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a foreign policy issue, and as such tends to be less concerned with the details of Turkey's domestic political situation, the EU's approach is more complex given the candidate status of the country for EU membership. For the EU the context of Turkish EU accession is also a domestic politics issue and thus the importance of Turkey's domestic situation is exponentially higher. The U.S. wants to anchor Turkey to the West for strategic reasons and therefore favours Turkey's EU membership, lobbying the EU governments on the issue. At the same time, the accession of Turkey to the EU is being de-coupled from the Western Balkans as a 'special case'. Some EU governments, notably France, Germany and Austria are questioning any prospect of Turkish EU membership. A triangular setting of the relationships should be re-thought and re-balanced by the transatlantic partners in a way of what can be done together. A consistent pressure needs to be developed in order for Turkey to deliver on lacking political freedoms and to keep the reform pace, with the U.S. rather lobbying Ankara, not some of the EU capitals, on the accession issue. The EU needs to keep the accession negotiations going and not to lose their dynamics, despite the failure to solve the Cyprus issue. The voices that put the ultimate goal of EU accession in question should be stopped, as they are contrary to the spirit of the accession negotiation framework.

## **Recommendations**

On the basis of this assessment, the following recommendations are made:

- The EU and U.S. should reiterate their commitment to upholding and strengthening the transatlantic alliance. The Euro-Atlantic area remains a space of shared values despite the turmoil and challenges arising on the international scene. There is no need for fully shared views on strategic challenges, but there is a need for political willingness to share the solutions and complement each others' assets.
  - No 'Russia first' policy. If deals are made with Russia first, there is not much that can be offered to the countries in the EU Eastern neighbourhood seeking stable democracies and Euro-Atlantic integration. The key determinant of EU and U.S. relations with the neighbours should be the latter's performance and not Russia (neither in a positive nor a negative sense). On the other hand, the EU and U.S. should not deepen engagement with the neighbours just because Russia doesn't want this, and thus exacerbating great power politics in the region, which harm not only EU/U.S.-Russia relations but also the domestic and international relations of the neighbours themselves.
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- A set of democratic standards should continue to be a driving goal in the European neighbourhood otherwise the credibility and legitimacy of the transatlantic partners (in Bosnia and elsewhere) is damaged. Democratization in the neighbouring countries' societies should be entrenched by targeting the civil society (and at EU side, better channelling the financial assistance), while keeping the political focus on countries' development.
  - Strengthen EU and NATO communication. The existing structural obstacles could be by-passed using informal initiatives in order to improve dialogue. Turkey must play a key role in this communication.
  - Improve communication between the U.S. and EU. Better coordination requires an improvement of the communication channels and emergency lines between the transatlantic partners. Structured communication with the EU representatives, especially with the new top EU figures (i.e. permanent President of the European Council, EU High Representative for Foreign and Security Policy) and emerging European External Action Service should be implemented, which will also require better coordination mechanisms within the EU itself.
  - EU's ENP should be revised due to its insufficient transformative potential. ENP is not working well as a political label and neither the Eastern Partnership nor the Union for Mediterranean seem to improve the situation. The EU is failing to offer attractive short-term incentives. The prevailing answer to the question how to improve EU's performance is further differentiation among the countries and further borrowing from the enlargement policy toolbox.
  - For several reasons, EU Enlargement policy has been losing appeal and efficiency vis-à-vis the neighbouring countries for some time. Without the incentive of enlargement, the EU needs to combine a values-based approach with other realistic incentives to stimulate good governance and democratisation in its neighbourhood.
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# About the Institute

## MISSION

*The EUROPEUM Institute for European Policy is a non-profit, non-partisan, and independent institute. It focuses on the issues of European integration and its impact on the transformation of political, economic, and legal milieu in the Czech Republic. EUROPEUM strives to contribute to the long-lasting development of democracy, security, stability, freedom, and solidarity across Europe. EUROPEUM formulates opinions and offers alternatives to internal reforms in the Czech Republic with a view of ensuring its full-fledged membership and respected position in the European Union.*

## CORE ACTIVITIES

### Research Programmes

■ **The Future EU Programme** focuses on the analysis and recommendations for Czech positions towards EU reform and its future function, as well as key EU policies. The main areas of research include EU institutional issues, the issue of the Constitutional Treaty, and future EU enlargement including countries such as Turkey, the Western Balkans, or Ukraine.

■ **The Foreign Policy and Transatlantic Relations Programme** covers the future development of the Common Foreign and Security Policy (CFSP) and the

European Security and Defence Policy (ESDP), plus analysis and recommendations for the EU and the Czech Republic in this respect. Special attention is paid to the relationship between the EU and the USA as key transatlantic partners.

■ **The Economic and Social Programme** analyses economic and social issues mostly connected with the membership of the Czech Republic in the EU, such as the adoption of the Euro, the Lisbon agenda, and the future of the EU regional and cohesion policies. Special attention is devoted to the future of the EU budget, especially in regard to the upcoming mid-term budgetary review in 2008/2009 and a healthy check of the expenses on common agricultural policy.

■ **The Freedom, Security, and Justice Programme** covers this relatively new, nevertheless dynamically developing EU policy. It focuses on specific issues included in this policy, such as the European Arrest Warrant, new European initiatives in the field of the fight against terrorism, co-operation of intelligence services within the EU, immigration and asylum policies, issues of visa policies towards third countries, or the consular co-operation among EU member states.

## **Publications**

The recent publications of the Institute include:

■ **Not Your Grandfathers' Eastern Bloc; The EU New Member States as Agenda Setters in the Enlarged European Union (2009)**

The publication is a product of the Open Society Institute – Sofia within the European Policies Initiative (EuPI, [www.eupi.eu](http://www.eupi.eu)). The project has been implemented in close partnership with EUROPEUM Institute for European Policy. The report is based on in-depth country reports from the ten New Member States.

■ **David Král, Věra Řiháčková, Tomáš Weiss, Views on American Foreign Policy – The Atlanticism of Political Parties in Central and Eastern Europe (2008)**

The publication focuses at the foreign policy agenda, orientation and behavior of political parties in six Central and Eastern European countries. The authors are assessing the position of major political parties vis-à-vis the United States on the issues that became somehow contentious in a wider international context, where the US policy diverged from that of the other international actors, notably some EU member states

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■ **TGAE – Think Global – Act European – The Contribution of European Think-Tanks to the French, Czech, and Swedish Trio Presidencies of the EU (2008)**

The publication edited by Notre Europe and the Fondation pour l'Innovation Politique, both leading French think-tanks, contains a series of contributions from a limited number of dynamic European think tanks for the purpose of formulating concrete recommendations on major issues of concern to the French, Czech, and Swedish Presidencies.

■ **The European Parliament: Towards Parliamentary Democracy in the European Union? (2008)**

The proceedings from the conference “The European Parliament – Towards Parliamentary Democracy in the European Union?” organized by Europeum in November 2007.

■ **Democracy's New Champions – European Democracy Assistance After EU Enlargement (2008)**

The publication is an output of international research project co-ordinated by PASOS – Policy Association for an Open Society.

*Publications and policy papers available to download at: [www.europeum.org](http://www.europeum.org)*

## **Projects**

The projects are developed and run by the Institute or implemented in cooperation with other partners (For full information on running and completed projects please see: [http://www.europeum.org/disp\\_projects.php?lang=en](http://www.europeum.org/disp_projects.php?lang=en))

## **Research**

■ **Transatlantic Policy Forum (TAPF)**

The project focuses at enhancing Transatlantic debate concerning the key areas of interest to Transatlantic policy community by bringing together scholars and experts from both the US and the EU and delivering specific, policy-oriented recommendations on these issues to policy makers on both sides of the Atlantic. The experts participating on the project form a Transatlantic Task Force, which is sub-divided in four different working groups created around the following topics: 1. Energy security and climate change, 2. Transatlantic market and WTO issues, including trade in agricultural products, 3. Democ-

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racy assistance and promotion worldwide and 4. EU – US co-operation in the EU neighbourhood (Western Balkans, Eastern Europe, Caucasus). The project is funded by EC Delegation in Washington D.C. and the Government of the Czech Republic.

#### ■ **Annual Operating Grant 2009**

The Annual Operating Grant for the year 2009 was awarded to Europeum by the EACEA, DG Education and Culture of the European Commission within the Europe for Citizens Programme. The operating grant allows for research and publication of policy papers on issues not covered by other projects.

#### ■ **Think Global-Act European (TGAE) – The Contribution of European Think Tanks to the Spanish, Belgium and Hungarian Presidencies**

EUROPEUM Institute for European Policy is actively involved in the international network project “Think Global-Act European”. Under the leadership of Notre Europe, the project mobilizes a limited number of dynamic European think tanks for the purpose of formulating concrete recommendations on major issues of concern to the Spanish, Belgium and Hungarian EU Presidencies.

#### ■ **Regulation of Lobbying as a Right Direction to More Transparent and Corruption-Free Legislative Process**

In many countries of Western Europe as well as in the USA political lobbying is regulated in details or at least partly regulated by law. In many other countries of Central and Eastern Europe such legislation has been adopted (e.g. Poland, Hungary, and Lithuania); not in the Czech Republic. The ways how to regulate a political lobbying differ from one country to another one depending on political traditions and culture but there is one common aspect – a will to regulate and control the processes which significantly influence the whole legislative process and decision making in general. The project is funded by Trust for Civil Society in Central and Eastern Europe.

#### ■ **The Eastern Partnership in the context of the EU Enlargement Policy and V4 agenda**

The project is implemented by the Kosciuszko Institute from Krakow in a partnership with EUROPEUM Institute for European Policy and the Centre for EU Enlargement Studies in Budapest. It aims to conclude in an international publication on Polish (while holding the Presidency in the Visegrad Group – V4 – 07.2008–06.2009), Czech (while holding the Presidency of the EU 01-06.2009) and Hungarian (as a current V4 President) efforts in

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the Eastern Partnership inauguration as well as presenting future objectives of the Polish Presidency in 2011 in the matter of the EU Enlargement Policy and cooperation within the Eastern Partnership. The project is co-financed by the Visegrad Fund.

### ***Democracy Assistance / Transfer of knowledge***

After completion of the integration of the Czech Republic to the EU, EUROPEUM has decided to use the knowledge generated during the Czech transformation process and the EU accession process and transfer it to the countries in the EU neighbourhood. So far Europeum has implemented democracy assistance projects in **Belarus** (for leaders of democratic opposition and independent civic society groups), **Ukraine, Bosnia and Herzegovina, Macedonia and Kosovo** (for journalists, NGO leaders and local government representatives). The projects are funded by Human Rights and Transformation Policy Department of the Ministry of Foreign Affairs of the Czech Republic and by OSI East-East: Partnership without Borders Programme.

### ***Education***

In September 2007, a new contest was launched called **EuropaSecura**, focusing on security issues, the EU, and NATO ([www.EuropaSecura.cz](http://www.EuropaSecura.cz)). The third, this time international, round of the competition is to be launched in January 2010.

In the summer 2009, EUROPEUM organised its 7th year of an international **European Summer School**, which gathered 35 students from more than 20 different countries the previous year.

**E-Educated** is the project that faces the special need of teachers, trainers, lecturers and other staff working in education. Especially for this group of professionals it is extremely important to have access to long life learning. The aim of the project is to design and offer to target group a product – on line course on EU topics which is easily accessible to all of them, which is modern, challenging, European, giving them opportunities to improve not only academic knowledge but also other skills, e.g. digital skills, language skills. The project consortium includes 7 partners; it has been financed by the European Commission (Grundtwig program).

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## Roundtables, Conferences, and Seminars

EUROPEUM organizes a number of seminars, conferences, workshops, and other public events. For the calendar of events please see:

[http://www.europeum.org/disp\\_events.php?lang=en](http://www.europeum.org/disp_events.php?lang=en)

## Training Activities

EUROPEUM organises both general and specialised courses on the EU for different organisations – public administration, the Czech National Bank, the Government Office, NGOs, and companies.

## Membership in International Networks

EUROPEUM is a member of the core steering group of the *European Policy Institutes Network (EPIN)*, together with the Centre for European Policy Studies (CEPS) in Brussels, the Royal Institute Elcano in Madrid, the Swedish Institute for European Policy Studies (SIEPS) in Stockholm, the Centre for European Reform in London, and Notre Europe in Paris. For further information please see: [www.epin.org](http://www.epin.org)

EUROPEUM is also a member of the *Policy Association for an Open Society (PASOS)*, whose secretariat is based in Prague and which gathers public policy centres together from Central and Eastern Europe and Central Asia. For further information please see: [www.pasos.org](http://www.pasos.org)

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